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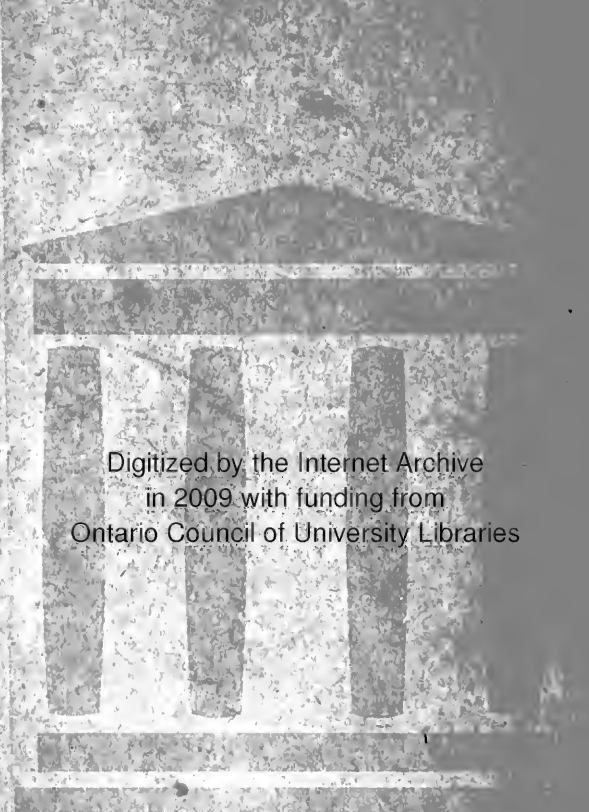
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BOOK - KEEPING,

BY

SINGLE AND DOUBLE ENTRY.

Designed for use in the Public and High Schools.

BY

S. G. BEATTY,

*Principal of Ontario Commercial College, Belleville, and
Author of the Canadian Accountant.*

AND

S. CLARE,

Book-keeping and Writing Master, Normal School, Toronto.

Authorized by the Minister of Education.

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Entered according to the Act of the Parliament of Canada. in the year one
thousand eight hundred and seventy-seven, by ADAM MILLER & Co.,
in the Office of the Minister of Agriculture.

PREFACE.

The plan of this work being somewhat different from that of those on Book-keeping we already have, a few words in justification may be necessary. That justification finds its ground mainly in the anxiety of the authors to remove, as much as possible, the difficulties which beset the path of the young scholar on his first approach to this subject. Long lists of definitions of terms which are of no immediate use, and a formidable array of the books required are, doubtless, calculated to have a confusing effect upon his mind. Accordingly, no definitions are given at the outset but such as are absolutely necessary. As assets and liabilities are, in this country, so often connected with *Notes*, it is necessary he should know something of the nature of a Promissory Note and an Acceptance. We have, therefore, made some introductory remarks in reference to them. After this, he is brought at once, face to face with the ultimate object of a set of accounts; and his every day knowledge and experience, and his own good sense, are then chiefly depended on for an intelligent appreciation on his part of the best mode of arriving at that object. With a view to this, the nature and form of an account are explained; examples are given of the separate different accounts showing assets, liabilities, losses and gains; and then a connected series of transactions originating a connected series of accounts, and resulting in his constructing a Double Entry Ledger before he knows even the name of the book. The idea, in fact, has been to cheat him into making it unawares.

PREFACE.

Teachers have found that it is difficult to make a pupil understand the Journal until he becomes acquainted with the nature and disposition of the accounts in the Ledger. It has been sought to give him a *clear understanding of the Ledger accounts*, assured that, when he has attained this, every thing else will be comparatively easy. The language has been made as simple as possible, and far-fetched explanations of rules for journalizing have been carefully avoided. As journalizing is merely expressing in technical form which accounts, in any particular case, are to receive entries, and on which side, he is independent of set rules, if he understands these accounts; which we presume he does if he has properly studied the chapters on accounts, ending on page 30.

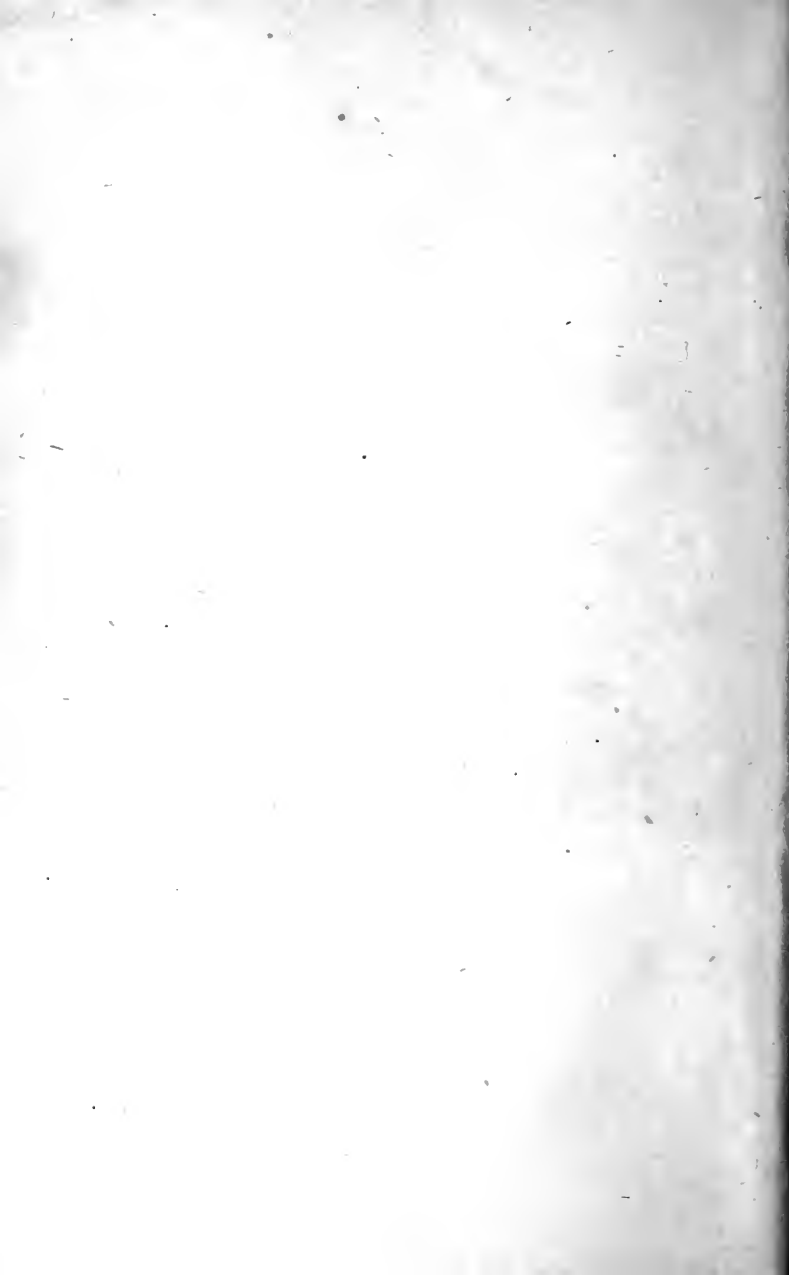
Sets containing a large number of entries—even although not difficult—have a tendency to discourage the pupil and prejudice him against the necessary work. The earlier sets, therefore, have been made short and simple, that he may more easily trace the connection between the corresponding entries in the various books, and arrive at the *ultimate result* without becoming fatigued and perplexed with the extent and difficulty of his task; while a sufficient number has been given to exercise him thoroughly in the opening and closing of books.

As other special features, the attention of the reader may be directed to the method given in Set III., Single Entry, of testing the correctness of the Ledger, and to a more complete explanation than usual, in the last two sets of Double Entry, of the management of Bills.

The teacher is earnestly recommended not to allow the pupil to pass the 30th page until he clearly understands the nature of the Ledger accounts. In working out the sets, the pupil should make all the calculations for himself whether given in the book or not, and he should draw out in proper form the various notes, etc., connected with the different sets. Legibility and neatness also should mark his work.

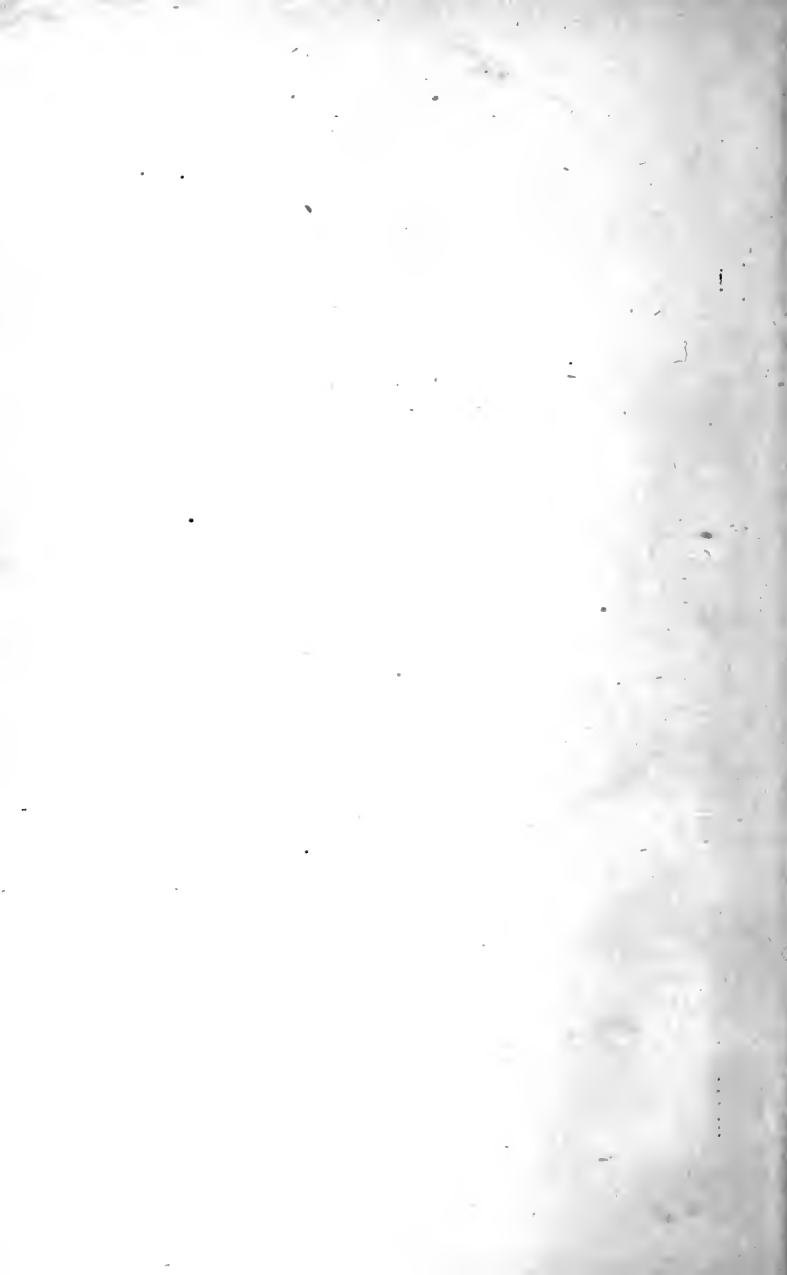
PREFACE.

Believing that our adoption of the analytic method of introducing the subject will commend itself to our fellow-Canadian teachers, we now submit the work to them in the hope that a judicious and faithful use of it may be instrumental in instilling into the minds of our youth correct principles on the subject of Book-keeping, and in preparing them for a more extended study of it than the limits of the present work will admit of.



PART I.

SINGLE ENTRY



BOOK-KEEPING.

CHAPTER I.

INTRODUCTORY

IF goods are sold by Robert Smith to John Jones, without being paid for at the time, they are said to be sold on **credit**. There may be simply a *general understanding* between the parties that the goods are to be paid for in one month, two months, &c., as the case may be ; or John Jones may give a *written promise* in somewhat the following form :—

\$150.

Toronto, June 1st, 1876.

*Three months after date I promise to pay to
Mr. Robert Smith, or order, One Hundred and Fifty
Dollars, for value received.*

John Jones.

A promise written in this form is called a **Promissory Note**, and this particular one would be called *John Jones' note*. In the former case, it is usual to say the goods are sold *on account*, in the latter that they are sold *on note*. In either case a debt is created on the part of John Jones. As, therefore, when we sell on credit, we may sometimes receive our debtor's note, and sometimes not, the debts owing to us are naturally divided into two classes :—

- I. Debts owing to us, for which we have received the debtors' notes.
- II. Debts owing to us, for which we have *not* received the debtors' notes.

As, similarly, we may *buy* on credit, sometimes giving our

note, sometimes *not*, *our* debts are naturally divided into two classes :

I. Debts owing by us, for which we have given our notes.

II. Debts owing by us, for which we have *not* given our notes.

There is another form in which John Jones may promise to pay the money. Robert Smith may write something like the following :—

\$150.

Toronto, June 1st, 1876.

Three months after date, pay to me, or my order, One Hundred and Fifty Dollars, for value received.

To Mr. John Jones.

Robert Smith.

This is called a **draft**, and is in no way binding on John Jones until he has expressed his willingness to pay the amount by writing across the face of it the word *accepted*, and his name, and delivered it to Robert Smith. Thus—

Toronto, June 1st, 1876.

Three months after date, pay to me, or my order, One Hundred and Fifty Dollars, for value received.

To Mr. John Jones.

Robert Smith.

It is now an **Accepted Draft**, or more shortly an **Acceptance**. It is equal *in effect* to the Promissory Note, and differs only in *form*. So that when we speak of debts owing to us, for which we have received our Debtors' Notes, the pupil may, if he likes, say "*notes or acceptances*."

When we sell goods to a person on credit, we have several advantages in getting his note. By reading the note carefully the pupil will see, first, that it is an *acknowledgment* of the

debt; second, that the *time* of payment is definitely fixed. We have also this advantage, that we can sell it like any other kind of property. We can pay it to another person for a debt we owe him, or we can get it discounted at the Bank—a process which it is not at present necessary to explain.

It may be mentioned in passing, though the pupil need not trouble himself about it at present, that three days are allowed on all notes made payable at so many “days or months after date,” beyond the time indicated for payment on the note. So that John Jones’ note would not be due until three days after the 1st September. These days are called *days of grace*.

CHAPTER II.

THE OBJECT OF BOOK-KEEPING.

IN solving any arithmetical problem, the first thing we do is to seek to have a clear conception of what is required to be found, and then to examine if we have sufficient information given to enable us to bring out the required result.

If the study of Book-keeping were taken up in the same manner, much of the difficulty usually attending it would disappear. The thing ultimately required to be found from a trader’s set of books is his financial position. And how is this ascertained? Most persons—even young persons—are familiar with a statement sometimes found in newspapers that Mr. —, not being able to meet his payments, has called his creditors together, in order to lay before them the state of his affairs. In such a case, the two most important questions to the creditors are: “How much does the trader owe?” and “What has he that he can apply to the payment of his debts?” or, as it is generally expressed, “What are his liabilities?” and “What are his assets?” If his books have been correctly kept, they will furnish an answer to these questions.

A trader’s assets, so far as his business is concerned, will generally be somewhat as follows:—

Cash in hand.

Merchandise in hand.

Debts owing to him for which he has received his customers' notes.

Debts owing to him for which he has not received his customers' notes.

His liabilities will be—

Debts owing by him for which he has given his notes.

Debts owing by him for which he has *not* given his notes.

In examining the nature of the different assets, it will probably be suggested to the mind of the thoughtful pupil that the debts owing to the trader can hardly rank with cash in the payment of his own debts, and he may possibly be reminded of the old saying, "A bird in the hand is worth two in the bush." This is true, and it is accordingly usual, in estimating a trader's assets, not to reckon the debts owing to him at what his books show them to be, but to make some deduction on account of the uncertainty of all of them being good, or rather of the almost absolute certainty of some of them being bad. To take this into account at present, however, would only embarrass the learner. We will, therefore, for the sake of simplicity, suppose them to be good.

The assets and liabilities being known, we have all the information necessary to determine the trader's financial standing. If his assets are greater than his liabilities, he is *worth just the difference*; if his assets are only equal to his liabilities, he is *worth nothing*; if his assets are less than his liabilities, he is *insolvent*.

Suppose, in the case referred to, that the trader's financial position has been ascertained from a comparison of his assets with his liabilities, another very natural enquiry on the part of the creditors presents itself—"How has this unfortunate state of things been brought about?" If his books have been properly kept they will answer this question also. They will show how he stood at some former period—say twelve months ago—what profits he has made from sales since, what losses he may have sustained, and what expenses he may have incurred for the carrying on of his business since.

It is clear that, if his profits from sales have been greater than all his expenses of various kinds, there has been a *net gain*, and his former capital has been *increased* by so much. If his profits have been only equal to his expenses, he is just where he was; while, if his profits have been less than his expenses, there has been on the whole a *loss*, and his former capital has been *lessened* by so much; and if his *net loss* has been greater

than the amount of his former capital, that capital has entirely disappeared, and he is worth—*less than nothing*.

A trader's books, therefore, should furnish **two kinds of information**. One of these, the present assets and liabilities, will show his present financial position without any reference to a *former period*. The other, by taking into consideration his position at a former period, and his gains and losses since, will show *how* from that former position he has arrived at his present one. And, further, as the result must in each case be the same, *agreement in result* may be considered some proof of its correctness.

In order to illustrate the preceding observations, we will suppose the following to be given as a question in simple Arithmetic.

A trader's books contain statements showing that he began business January 1st, 1876, with \$1,300; that he has to-day (June 30th, 1876), cash in hand, \$500; merchandise in hand, \$1,000; that there is owing to him \$400, for which he holds notes, and \$300 for which he does not hold notes; that he owes \$350 for which he has given his notes, and \$200 for which he has not given his notes. His profits from sales have been \$480, and he has expended for rent \$80, and for sundry other things—as cartage, stationery, clerk-hire, &c.—\$50. Required his present net worth.

The intelligent pupil will perceive that there are, in this question, two distinct classes of data, from either of which *alone* he can determine the present net worth, and as the question stands he is at liberty to take his choice. Let him, however, take first the present assets and liabilities.

ASSETS.		LIABILITIES.	
Cash in hand	\$500	Debts owing by him for which	
Merch in hand	1000	he has given his notes	\$350
Debts owing to him for which		Debts owing by him for which	
he holds his customers'		he has not given his notes	200
notes	400		
Debts owing to him for which		Total liabilities	\$550
he does not hold notes....	300		
Total assets	\$2200		
Total assets		\$2200	
,, liabilities		550	
Present net worth		\$1650	

Taking now the original capital and the subsequent gains and losses, we have—

BOOK-KEEPING.

Profit from sales.....	\$480
Expended for rent.....	\$80
Sundry other expenses.....	50
	<u>130</u>
Net gain	350
Original capital	<u>1300</u>
Present net capital.....	\$1650

From the foregoing, the pupil will see that a trader's books should contain statements, in *some shape or other*, showing :

- I. { HIS PRESENT ASSETS { Cash in hand.
Mdse in hand.
Debts owing to him,
on others' notes.
Debts owing to him,
not on notes.
- II. { HIS PRESENT LIABILITIES... { Debts owing by him,
on his own notes.
Debts owing by him,
not on notes.
- II. { His CAPITAL at some former period.
{ His GAINS and LOSSES since.

From each of these the present financial position is determined : from the first, by a simple view of the business as it *now* stands, without any reference to a former period ; from the second, by taking note of the position at a former period, and of the gains and losses since, without knowing anything of the cash we have in hand, or the debts owing to or by us *now*.

The pupil will do well at the very outset to have a clear comprehension of the goal he is aiming at in keeping a set of accounts. If he does this, and maintains that goal constantly and steadily in view, he will have little difficulty in devising the means himself of attaining to it, or else in intelligently appreciating those proposed by others.

CHAPTER III.

THE NATURE AND FORM OF AN ACCOUNT.

WE have said in the preceding chapter that a trader's books should contain statements, in some shape or other, showing what is owing to him, what he owes, how much cash there ought to be in hand, the merchandise still unsold, and the various gains and losses.

We have now to consider the *nature* and *form* of these statements, taking as an example the one showing how much cash there should be in hand. Evidently, if we have the cash received and paid at various times given, we have sufficient data for our purpose.

Suppose that on the 1st of June we had \$20 in hand, on the 2nd received \$50, on the 3rd paid \$30, on the 5th paid \$10, on the 6th received \$80, and on the 7th paid \$15. Required the cash in hand.

If this question were given to a class without any instructions as to how they were to arrange the items, we should probably find three or four different methods adopted.

FIRST METHOD.

1876.		
June	1 Cash in hand	\$20
	2 Received cash	50
	In hand	<hr/> 70
	3 Paid cash	30
	In hand	<hr/> 40
	5 Paid cash	10
	In hand	<hr/> 30
	6 Received cash	80
	In hand	<hr/> 110
	7 Paid cash	15
	Cash in hand	<hr/> 95

BOOK-KEEPING.

SECOND METHOD.

1876.					
June	1	Cash in hand	=	=	\$ 20
	2	Received cash	=	=	50
	3	Paid cash	=	=	30
	5	Paid cash	=	=	10
	6	Received cash	=	=	80
	7	Paid cash	=	=	15
					150 55
					55
		Cash in hand	=	=	95

THIRD METHOD.

Cash.

1876.			1876.		
June 1	On hand	20 00	June 3	Paid	30 00
2	Received	50 00	5	Paid	10 00
6	Received	80 00	7	Paid	15 00
		<hr/>			<hr/>
		150 00			55 00
		<hr/>			<hr/>
		55 00			
		<hr/>			
7	Cash in hand	95 00			
		<hr/>			
		<hr/>			

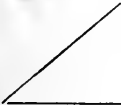
All these plans come to the same thing, and each has its peculiar advantage. We will not at present specify these advantages, but will adopt, with a slight modification, the third method in our further explanations of the different accounts. We will put *Dr.*, the contraction for debtor or debit, on the left hand corner at the top, and *Cr.*, the contraction for credi-

tor or credit, on the right hand corner. Also, instead of subtracting the smaller side from the greater, we will add sufficient to the smaller to make it equal to the greater.

Dr.

Cash.

Er.

1876.			1876.		
June 1	In hand	20 00	June 3	Paid	30 00
2	Received	50 00	5	Paid	10 00
6	Received	80 00	7	Paid	15 00
			In hand		55 00
					95 00
		150 00			150 00

Any of the foregoing arrangements of the items is called an **Account**. When we divide the account into two sides, as in the third method, the left hand side is called the **debtor or debit side**, and the right hand side is called the **creditor or credit side**. When we make an entry on the left hand side we are said to *debit the account*, and when we make an entry on the right hand side we are said to *credit the account*.

This arrangement of the items of an account is the one usually adopted, except as regards the explanatory words in the wide column, which for our present purpose is of no moment. The essential part of this arrangement is the collecting on one side all the cash received, and on the other all the cash paid.

In reference to this arrangement, the enquiring pupil who is anxious to know the reason of everything he does, may very naturally ask if it would not be just as proper to put the cash received on the right hand side and the cash paid on the left. We answer, yes; so far as the ultimate object of the account is concerned, there is no reason why one plan should be adopted in preference to the other, except that it is the custom, and therefore we must follow it.

In like manner, if we make a statement of the value any person has received from us or delivered to us at various times, we can ascertain how he stands related to us as Dr. or Cr.

BOOK-KEEPING.

Suppose John Jones buys goods from us June 1st, 1876, amounting to \$120 ; 2nd, Pays us \$30 ; 3rd, Buys goods from us, \$200 ; 5th, Sells goods to us, \$150 ; 6th, Pays us cash, \$20. Does John Jones owe us, or we him, and how much ?

Arranging according to the third method, we have—

Dr	John Jones.	Cr.
1876. June 1	Rec'd M ^{ch} se from us	30 00
3	Rec'd M ^{ch} se from us	150 00
	/	
	June 2 Paid us cash	20 00
	5 Delivered M ^{ch} se to us	200 00
	6 Paid us cash	120 00
	John Jones owes us	
		320 00

The use of the words Debtor and Creditor in connection with the name of a thing, as cash, will no doubt present some difficulty to the pupil's mind. He can easily understand John Jones being Debtor, but he cannot see the propriety of Cash being Debtor. Strictly speaking, these terms in their original import refer only to persons. In business, a person receiving value without giving at the same time an equivalent becomes a debtor, the giver of the value being the creditor. The terms receiver and giver, debtor and creditor, are correlative terms; *i. e.*, they are so related that one cannot exist without the other. There cannot be a receiver without there being a giver, nor a debtor without there being a creditor. The application of the terms Dr. and Cr. to things is called by one writer "a beautiful fiction," and various reasons have been given to justify the application. But the beginner will do well not to trouble himself unduly about this matter. He may at present, if he likes, consider them as merely giving names to the two sides of an account. He will, however, observe that as an entry on the Dr. side of Cash Account indicates that we have received Cash, so an entry on the Dr. side of any other account in the name of a *thing* will indicate that we have received the particular kind of thing represented by the name of the account. Thus an entry on the Dr. side of Bills Receivable Acct. will indicate that we have received another's note. And as an entry on the Cr. side of Cash Account indicates that we have parted with Cash, so an entry on the Cr. side of any account in the name of a *thing* will indicate that we have parted with the particular kind of thing represented by the name of the account. Thus an entry on the Cr. side of Bills Receivable Account will indicate that we have parted with another person's note.

The pupil will now readily see that

Cash in hand may be shown by arranging the Cash received and paid under the head of Cash.

Others' Notes in hand (*i. e.*, what is owing to us for which we hold *Others' Notes*), by arranging all such notes received and those of them which we afterwards dispose of, under the head of Bills Receivable.

Others' Notes out against us (*i. e.*, what we owe for which others hold *Our Notes*), by arranging all such notes issued and those of them which we afterwards redeem, under the head of Bills Payable.

What is owing to us or by us for which no notes have been received or given by us, by arranging the value the person receives from us, and delivers to us, under his name, as
John Jones.

The Gain or Loss on the Sale of Goods, by arranging what they cost and what they are sold for, under the head of
Merchandise.

The Expenses of the Business, by arranging the various outlays for rent, fuel, gas, taxes, stationery, &c., under the head of
Expense.

CHAPTER IV.

EXAMPLES OF ACCOUNTS.

THE student is reminded that when we receive anything, as Cash, Others' Notes, Our Notes, Mdse, &c., an entry must be made on the **Dr.** side of the account representing the particular kind of thing received, and when we part with any of these things, an entry must be made on the **Cr.** side.

When a person receives value from us without giving us an equivalent, we must debit his account ; when he delivers value to us without receiving an equivalent from us, we must credit his account.

If Robert Smith buys goods from us, it does not matter, so far as the statement of the fact is concerned, whether we say "Robert Smith has bought goods from us," or "We have sold goods to Robert Smith." In the first expression our attention is more particularly directed to *Robert Smith's part* in the transaction—what he has done ; in the second, to our part in the transaction—what we have done. And it will very much conduce to a clear understanding of the application of the terms **Dr.** and **Cr.** to accounts representing things, if, when we are dealing with one of these accounts, we consider mainly **our part** in the transaction, as receiving or giving ; and when we are dealing with a personal account, as Robert Smith, we consider mainly **his part** in the transaction, as receiving or giving.

BOOK-KEEPING.

ITEMS FOR A CASH ACCOUNT.

June 1st, 1876, Cash in hand \$500. 2nd, Bought Mdse for cash, \$300. 3rd, Received cash from Abel Adams on acct., \$80. 5th, Sold Mdse for cash, \$120. 6th, Paid for sundry expenses, \$50. 7th, Received cash from Benjamin Bond, in payment of his note, \$100. 8th, Paid cash to James Heaton for our note, \$130. 9th, Borrowed from Charles Coleman, \$150. 10th, Paid Daniel Dunn on acct., \$400.

Required amount of Cash on hand.

EXPLANATION.

Dr.		Cr.
Cash in hand.	}	Cash.
All Cash afterward received.		
		All Cash paid.

The difference between the two sides will show Cash in hand.

Dr.		Cash.		Cr.
1876.			1876.	
June 1	In hand	500 00	June 2	Paid 300 00
3	Received	80 00	6	Paid 50 00
5	Received	120 00	8	Paid 130 00
7	Received	100 00	10	Paid 400 00
9	Received	150 00		
				880 00
			July 10	Cash in hand 70 00
		950 00		950 00

ITEMS FOR AN ACCOUNT OF OTHERS' NOTES.

1876, June 1, We have on hand Frank Ford's note for \$350. 2, Received George Gunn's note for goods sold him, \$280. 3, Got F. Ford's note discounted, \$350. 5, Received

BOOK-KEEPING.

Henry Hunt's note at one month for balance of his acct., \$130.
 6, Sold goods to Isaac Inman on his note \$120. July 8,
 Henry Hunt has paid his note of June 5, \$130.

Required how much is owing to us on Others' Notes.

PLAN.

Dr.	}	Bills	{	Cr.
Others' Notes in hand.		Receivable.		Others' Notes dis-
" " after-				posed of.
ward received.				

The difference shows Others' Notes in hand.

Dr.		Bills Receivable.		Cr.			
1876.				1876.			
June 1	On hand	350	00	June 3	Disposed of	350	00
2	Received	280	00	July 8	Disposed of	130	00
5	Received	130	00				
6	Received	120	00			480	00
				8	Others' notes in hand	400	00
		880	00			880	00

ITEMS FOR AN ACCOUNT OF OUR OWN NOTES.

June 1, 1876, Note outstanding, favor of John Jones, \$200. 2, Gave our note to John Lord for goods bought, \$350. 3, Accepted Charles Coleman's draft on us at two months, for balance of account, \$190. 5, Paid Cash to John Jones for our note, \$200. 6, Bought goods on our note from Mark Main, \$270. Aug. 6, Paid our acceptance, favor of C. Coleman, \$190. Required amount of Our Notes outstanding.

PLAN.

Dr.	}	Bills	{	Cr.
Our Notes redeemed.		Payable.		Our Notes outstanding
				Our Notes afterward issued.

The difference shows Our Notes outstanding.

BOOK-KEEPING.

Dr.		Bills Payable.		Cr.	
1876.				1876.	
June 5 Redeemed	200 00	June 1 Outstanding	200 00		
Aug. 6 Redeemed	190 00	2 Issued	350 00		
		3 Issued	190 00		
	390 00	6 Issued	270 00		
6 Outstanding	620 00				
	1010 00				1010 00

ITEMS FOR A PERSONAL ACCOUNT.

1876, June 1. Nathan Newton owes us \$150. 2, Sold him goods on account, \$200. 3, Received cash from him on account, \$100. 5, Sold him goods, \$320. 6, Bought goods from him, \$260.

Is N. Newton our Dr. or Cr., and for how much?

PLAN.

Dr. The value N. Newton receives from us. } N. Newton. { Cr. The value N. Newton delivers to us.

The difference shows how much he owes us, or we owe him, as the case may be.

Dr.		Nathan Newton.		Cr.			
1876.				1876.			
June 1	Indebted to us	150	00	June 3	Has deliv'd us value	100	00
2	Has received value from us	200	00	6	Has deliv'd us value	260	00
5	Has received value from us	320	00			360	00
				6	He owes us	310	00
		670	00			670	00

BOOK-KEEPING.

SECOND EXAMPLE.

1876, June 1. We owe Oliver Owen, \$500 ; 2, Bought goods from him, \$260 ; 3, Paid him cash, \$300 ; 5, Borrowed from him, \$150 ; 6, Paid him cash, \$270.

Is Oliver Owen our Dr. or Cr., and for how much ?

<i>Dr.</i>				<i>Oliver Owen.</i>				<i>Cr.</i>			
<i>1876.</i>				<i>1876.</i>							
<i>June 3</i>	<i>Has received</i>			<i>June 1</i>	<i>Indebted to</i>						
	<i>value from us</i>	<i>300</i>	<i>00</i>		<i>him</i>			<i>500</i>	<i>00</i>		
<i>6</i>	<i>Has received</i>			<i>2</i>	<i>Has deliv'd</i>						
	<i>value from us</i>	<i>270</i>	<i>00</i>		<i>us value</i>			<i>260</i>	<i>00</i>		
				<i>5</i>	<i>Has deliv'd</i>						
		<i>570</i>	<i>00</i>		<i>us value</i>			<i>150</i>	<i>00</i>		
<i>6</i>	<i>We owe him</i>	<i>340</i>	<i>00</i>								
		<i>910</i>	<i>00</i>					<i>910</i>	<i>00</i>		

ITEMS FOR AN ACCOUNT OF THE GOODS WE DEAL IN.

1876, June 1. Value of goods on hand, \$1500 ; 2, Bought Flour for cash, \$380 ; 3, Sold Flour to Samuel Smith on account, \$690 ; 5, Bought butter from Robert Ridgway on our note, \$670 ; 6, Sold butter to Thomas Turner on his note, \$480 ; 7, Sold remainder of goods by auction, \$1600.

Required the gain or loss.

PLAN.

<i>Dr.</i>		<i>Cr.</i>
Cost of goods on hand.	} Merchandise.	What they sold for.
Cost of goods bought since.		Value of goods on hand (if any).

The difference will show *gain* or *loss*, as the case may be.

BOOK-KEEPING.

Dr.	Merchandise.	Cr.
1876.		1876.
June 1	Goods on hand 1500 00	June 3 Sold 600 00
2	Bought 380 00	6 Sold 480 00
5	Bought 670 00	7 Sold 1600 00
	2550 00	
	Gain - - 220 00	
	2770 00	2770 00

SECOND EXAMPLE.

1876, June 8. Goods on hand, \$800 ; 9, Sold goods for cash, \$300 ; 10, Sold goods to James Smith on his note, \$200 ; 12, Bought goods from Charles Adin, \$1200 ; 13, Sold goods to John Brown on account, \$400 ; 14, Goods remaining worth \$1000.

Required the gain or loss.

Dr.	Merchandise.	Cr.
1876.		1876.
June 8	On hand 800 00	June 9 Sold 300 00
12	Bought 1200 00	10 Sold 200 00
		13 Sold 400 00
		14 On hand 1000 00
		1900 00
		Loss 100 00
	2000 00	2000 00

BOOK KEEPING.

ITEMS FOR AN ACCOUNT OF INCIDENTAL EXPENSES.

1876, June 1. Bought stationery, \$15 ; 30, Paid Clerk's salary, \$40 ; Paid rent, \$30 ; Paid gas bill, \$6 ; Paid taxes, \$4.

Dr.		PLAN.		Cr.	
Cost		Expense.		Returns, if any.	
<i>Dr.</i>		<i>Expense.</i>			<i>Cr.</i>
1876.					
June 1	Stationery	15	00		
30	Clerk's salary	40	00		
"	Rent	30	00		
"	Gas	6	00		
"	Taxes	4	00		
		95	00		

Having laid down the general principle that an entry on the **Dr. side** of an account in the name of a **thing** as merchandise, indicates that **we have received** the particular kind of thing represented by the name of the account, the pupil may be led to think the principle at fault in the case of **Expense Acct.** It is, however, true, that every entry on the **Dr. side** of this account indicates something received by us. In the case of stationery and gas there can be no question. We received the Clerk's services for the salary paid. We received use or occupation of premises for the rent paid. We received certain civic privileges for the taxes paid. And if we choose to represent all such things received by the word **Expense**, then the principle holds good in this case, viz., that an entry on the **Dr. side** of **Expense Acct.** indicates something received necessary for the conducting of the business.

CHAPTER V.

EXAMPLE OF CONNECTED ACCOUNTS.

THE pupil can hardly fail to see how much the practice of Book-keeping depends upon a knowledge of the nature and objects of accounts. Book-keeping may, indeed, be called **Account-keeping**, and the book-keeper himself an *accountant*.

In the examples of the various accounts in the preceding chapter, there was no mutual dependence of one account upon another. We purpose now to give a series of connected transactions, which will, of course, give a series of **connected accounts**, from which, when completed, may be derived certain definite results, showing the **Assets and Liabilities**, the **Gains and Losses**, of the business; and through them, its financial position.

MEMORANDA OF TRANSACTIONS.

1876.

June 1.	Invested in the business	\$ 15 00
2.	Bought goods from Abel Bond	800 00
3.	Bought stationery for use, from Chas. Dunn	10 00
5.	Sold goods to George Hunt.....	200 00
6.	Sold goods to Edward Forbes.....	100 00
7.	Received cash from George Hunt, on account	150 00
8.	Paid cash to Abel Bond, on account	140 00
9.	Received cash from Edw'd Forbes, on account	80 00
10.	Sold goods to Edward Forbes.....	400 00
12.	Gave my note to Abel Bond, on account ...	300 00
13.	Sold goods to George Hunt.....	260 00
14.	Received from Edw'd Forbes his note on acct.	250 00
15.	Bought goods from Abel Bond	1000 00
16.	Sold goods to Edward Forbes.....	600 00
17.	Received cash from Edward Forbes, on acct.	100 00
19.	Received from George Hunt his note on acct.	200 00
20.	Received cash from Edward Forbes, on acct.	500 00
21.	Gave my note to Abel Bond, on account ...	500 00
22.	Paid cash to Abel Bond, on account	600 00
23.	Due to Mark Newton, for rent	40 00

Value of mdse unsold, as found by taking
stock, June 24th, 1876, \$650.

Required the net worth on the 24th of June.

The instructions already given with each account as to the kinds of entries made, are here arranged in a tabular form, which will be found very convenient, both for study and reference.

Dr. Entries.	Accounts.	Cr. Entries.	Differences.
Withdrawals.	Capital.	Investments.	
Received.	Cash.	Paid.	Cash in hand
Others' notes received.	Bills Receivable.	Others' notes disposed of.	Others' notes in hand.
Our notes redeemed.	Bills Payable.	Our notes issued.	Our notes outstanding.
Value he has received from us.	Abel Bond.	Value he has deliv'd to us.	<div> <div>What he owes us,</div> <div>Or, We owe him.</div> </div>
Cost.	Merchandise.	Returns.	Gain or Loss.
Cost.	Expense.	Returns.	Loss.

The pupil will observe one account in the Table which we have not mentioned before, namely, **Capital Account**. It is more frequently called **Stock**, and sometimes, by the **Proprietor's Name**. In this exercise the pupil is directed to call it by his own name, considering himself as the proprietor. He will treat it like that of any outside party, crediting it when he puts anything into the business, and debiting it when he gets anything out of the business.

He will make out the necessary accounts on a sheet of paper, and compare his work with that in the book afterwards. There are two ways in which he can do the work, and we would advise him to do it in both. He can take one account—say **Cash**—and, picking out all the cash received and paid, finish it. Take another, and finish it in the same way. Or, he can write the headings for all the accounts, and then taking the first entry in the Memoranda, enter \$15 on the Dr. side of

Cash, and the same amount on the Cr. side of the account bearing his own name. Then take the second, and enter \$800 on the Dr. side of Merchandise, and the same amount on the Cr. side of Abel Bond. And so on, to the end. Each way has its advantages; but for the sake of certain lessons to be learned from the latter mode, we would urge the pupil to let this method have his particular attention.

One more direction, and he may set to work. In making entries in the accounts representing things, write the *name of the person* from whom received, or to whom delivered; and in making entries in accounts of persons, write the *name of the thing* they have received from you or delivered to you.

BOOK-KEEPING.

Dr. (1) *Cash.* Cr.

1876.				1876.			
June 1	Pupils name	15	00	June 8	Abel Bond	140	00
7	George Hunt	150	00	22	Abel Bond	600	00
9	Edu'd Forbes	80	00				
17	Edu'd Forbes	100	00			740	00
20	Edu'd Forbes	500	00	20	In hand	105	00
		845	00			845	00

Dr. (2) *Bills Receivable.* Cr.

1876.				1876.			
June 14	Edu'd Forbes	250	00	June 24	In hand	450	00
19	George Hunt	200	00				
		450	00			450	00

Dr. (3) *Bills Payable.* Cr.

1876.				1876.			
June 24	Outstanding	800	00	June 12	Abel Bond	300	00
				21	Abel Bond	500	00
		800	00			800	00

BOOK-KEEPING.

Dr. (4) Merchandise. Cr.

1876.				1876.			
June 2	Abel Bond	800	00	June 5	George Hunt	200	00
15	Abel Bond	1000	00	6	Edw'd Forbes	100	00
				10	Edw'd Forbes	400	00
		1800	00	13	George Hunt	260	00
	Gain	410	00	16	Edw'd Forbes	600	00
						1560	00
				24	Goodsunsold	650	00
		2210	00			2210	00

Dr. (5) Expense. Cr.

1876.							
June 3	Chas. Dunn, stationery	10	00	Loss		50	00
23	Mk. Newton use of premises	40	00				
		50	00			50	00

BOOK-KEEPING.

Dr. (6)

(PUPIL'S NAME).

Cr.

			1876.			
			June 1	Cash		15 00

Dr. (7)

Abel Bond.

Cr.

1876.				1876.		
June 8	Cash	120	00	June 2	Mdse	800 00
12	Bills payable	300	00	15	Mdse	1000 00
21	Bills payable	500	00			
22	Cash	600	00			
		1540	00			
24	We owe him	260	00			
		1800	00			1800 00

Dr. (8)

Charles Dunn.

Cr.

1876.				1876.		
June 24	We owe him	10	00	June 3	Stationery (Expense)	10 00

BOOK-KEEPING.

Dr. (9) Edward Forbes. Cr.

1876.				1876.			
June 6	Mdse	100	00	June 9	Cash	80	00
10	Mdse	400	00	14	Bills rec'ble	250	00
16	Mdse	600	00	17	Cash	100	00
				20	Cash	500	00
						930	00
				24	He owes us	170	00
						1100	00

Dr. (10) George Hunt. Cr.

1876.				1876.			
June 5	Mdse	200	00	June 7	Cash	150	00
13	Mdse	260	00	19	Bills rec'ble	200	00
						350	00
				24	He owes us	110	00
						460	00

Dr. (11) Mark Newton. Cr.

1876.				1876.			
June 24	We owe him	40	00	June 24	Occupation of premises (Expense)	40	00

BOOK-KEEPING.

The closing entries in the preceding set of accounts will each represent one of four things—an Asset, a Liability, a Gain, or a Loss—and furnish the pupil with the two classes of data for the estimation of his *Financial Position* on the 24th of June. Let him first make out a statement of his Assets and Liabilities. The numbers refer to the particular accounts in the set.

Assets.

Liabilities.

No. 1	Cash in hand	105	No. 3	He owes on notes	800
	Mdse in hand		7	He owes A. Bond,	
	(stock-taking)	650		on account	260
2	Owing him on notes	450	8	He owes C. Dunn,	
9	Edu'd Forbes owes			on account	10
	on account	170	11	He owes M. New-	
10	George Hunt, do	110		ton, on account	40
					1110
				His present net	375
				worth	1485
		1485			

Next, take the Gains and Losses in connection with the Capital at the beginning.

No. 4	Gain from mdse	410
5	Outlay for expense	50
	Net gain	360
6	Original capital	15
	His present net worth	375

The account, No. 6, in the name of the pupil could not be closed until the Net Gain or Net Loss, as the case may be, had been ascertained. The first entry is intended to show how much he put into the business, that is, the Financial Position at the *beginning* of the period under consideration; and the last or closing entry, the Financial Position at the *end*. The former is already shown. To show the latter, if there has been a net gain, it must be entered on the credit side, thus *increasing* the Original Capital; if there has been a net loss, it must be entered on the debit side, thus *lessening* the Original Capital. The difference between the two sides will then show the Net Capital at the end of the period. The result of the business in this case has been a net gain of \$360. The account when closed will, therefore, appear as follows:—

<i>Dr.</i>		(PUPIL'S NAME.)		<i>Cr.</i>	
1876.				1876.	
June 24	Present net capital	375	00	June 1	Cash 15 00
				24	Net gain 360 00
		375	00		375 00

The pupil will see that in finding his Net Capital from the second class of data, not one of the first class was required, except that of the unsold merchandise. This, of course, was necessary in order to find the gross gain from sales. He had no need to know the cash in hand, nor the notes outstanding, nor what was owing to him, or by him, on account.

He will also notice that the latter mode is much *shorter* than the former. If he had done business with *five hundred* persons instead of five, as above, the first method would have been materially lengthened, while the *same three accounts* would still have sufficed for the second method.

As the same result—the Net Capital—is obtained from two different classes of accounts so *very nearly independent* of each other, a strong proof is afforded of the accuracy of the work.

In the same way, any series of connected business transactions will furnish material for accounts which will show, in the difference of their sides, the two classes of data necessary for a double statement of the financial position at the end of the period embraced by those transactions. Let the student not leave this exercise until he thoroughly comprehends every part of it.

In working out the preceding exercise, the pupil must have noticed—

I. That for every transaction, he made an entry in **two** accounts.

II. That these entries were on **opposite** sides.

III. That they were **equal** in amount.

For example, the statement, June 1st, of the investment, gave an entry on the Cr. side of the account in his own name, and one on Dr. side of Cash to the same amount. The purchase of goods from Abel Bond, on the 2nd, gave an entry on the Dr. side of Mdse, and one on the Cr. side of Abel Bond's account to the same amount. He has, indeed (and, perhaps, without knowing it), been making a Double Entry Ledger.

Now, in the particular exercise here given, as all the transactions are on credit, one of the entries in each case was necessarily in a personal account, and the other in an account representing a thing. Common sense will tell him he cannot dispense with the entries in the personal accounts; he may (though he had better not) dispense with the entries in the accounts representing things. Had he done so, he would have had a Single Entry Ledger.

If he will turn to the openings containing the accounts (page 22-25), he will find them arranged so as to assist him in understanding the difference between the two methods. The second opening, taken alone, is Single Entry; both openings, taken together, constitute Double Entry. In the former, he debits and credits only persons; in the latter, he debits and credits both persons and things. And by "**things**," we mean not only material, tangible things, such as cash, merchandise, notes, but also any accommodation or advantage to which, in business, a money value is attached, as *use of money* (interest or discount), *occupation of premises* (rent), *services of clerks* (wages), &c.

The learner will have anticipated the definition of the book called the Ledger. Besides this, other books are used, of which he will be shortly informed; but the Ledger is the principal

book, all others being for convenience, and subsidiary to it. It is the book in which all the transactions are classified in the **form of accounts**. A better single name could not, perhaps, have been chosen for it. It is derived from the Latin verb *legere*, to lay or put together, to collect, to pick out.

We are about to introduce the pupil to Single Entry Book-keeping, but we are anxious to impress upon his mind from the very beginning, the undoubted superiority of Double Entry. Let him not forget that the ultimate aim of a set of books is to show at any time the financial condition of the business, and that this can be shown in two ways:—

I. From a comparison of the Assets and Liabilities at the time.

II. From the Capital at a former period, and the net gain or net loss since.

And that Double Entry (as he has seen) furnishes these two classes of data.

Bearing this in mind, he will be able, as he progresses, to institute a comparison between Single and Double Entry, and will probably discover in the end that the labor required in the former, as commonly practised, is so nearly equal to that required in the most approved modern forms of the latter, that business men might well afford to give the little extra labor necessary to make it such, and thus realize all the advantages it offers.

QUESTIONS FOR REVIEW.

What is meant by selling goods on credit? What arrangements may be made as to payment? Write a Promissory Note. Write a Draft. What must be done to a Draft to make it a *promise to pay*? In what respect do a Promissory Note and Draft *agree*, and in what do they *differ*? How may debts owing to us be naturally divided? How may the debts we owe be divided? What is the ultimate object of Book-keeping? Knowing a trader's Assets and Liabilities, how would we find his Financial position? Knowing his original Capital, and his Gains and Losses since, how would we find it? Of what do a trader's Assets or Resources usually consist? If a business is prospering, how are the Assets and Liabilities varying in respect of each other? What is meant by an Account? Explain the *form* of account commonly adopted. To what do the terms Dr. and Cr. primarily apply? Which side of an account is called the Dr., and which the Cr. side? What idea, in connection with the *name* of an account, is associated with the Dr. side, and what with the Cr. side? What does "Cash Dr." mean? What does "John Jones Dr." mean? What does "Cash Cr." mean? What does "John Jones Cr." mean? Explain how the Cash which *ought* to be in hand is found. Explain how what is owing to us on Others' Notes is found. Explain how what we owe on Our Notes is found. Explain

how what is owing us, or what we owe others, when no notes have been received or given, is found. Explain how the Gain or Loss on merchandise is found. In the example of connected accounts, *how often is each fact stated?* What name is given to the book containing such a collection of accounts? If we call ourselves the First Party, and the person we are doing business with the Second Party, whose part in the transaction do we *mainly* consider in a *personal* account, and whose in a *non-personal* account? Which of these accounts, taken alone, constitute Single Entry? Which constitute Double Entry?

CHAPTER VI.

INTRODUCTORY REMARKS TO SINGLE ENTRY.

In Single Entry, the Ledger contains accounts only for persons. The transactions which affect any persons in their relation to us as Dr. or Cr. may be entered at once in the Ledger, or they may first be entered in a book called the Day Book, and afterwards, at convenience, transferred to the Ledger.

If James Smith sells to John Brown, July 1st, 1876, one felt hat on credit, for \$3, he may enter as follows:—

DAY BOOK.

1876.
July 1. John Brown, Dr.
To one felt hat \$3 00

LEDGER.

Dr.	<i>John Brown.</i>	Cr.
1876. <i>July 1 To one felt hat</i>	3 00	

Or, he may dispense with the Day Book, and use only the Ledger.

BOOK-KEEPING.

John Brown in his books would write as follows :—

DAY BOOK.

1876.
July 1. James Smith, Cr.
By one felt hat \$3 00

LEDGER.

<i>Dr.</i>	<i>James Smith.</i>	<i>Cr.</i>
	1876. <i>July 1 By one felt hat</i>	<i>3 00</i>

Or, he may dispense with the Day Book, and use only the Ledger.

We have here used the preposition "To" in the debit entry, and "By" in the credit entry, out of deference to custom. Some do not use them. And certainly John Brown is not Dr. to the Hat, but to us *for* the Hat. Indeed, the word "for" would, in general, better express the meaning, if it be thought necessary to use any word at all.

The following examples will further illustrate the mode of entering transactions in the books of both debtor and creditor, with which the pupil should become familiar before progressing further. For this purpose separate sheets of paper, ruled by the pupil, should be used. Let the pupil write the transactions on one page, numbering them, and make the proper entries on another, with their corresponding numbers and correct dates, as in the following examples. The pupil should be required to write out a number of transactions, in addition to those given in the book, and after having studied them carefully, be prepared in recitation to give the entries on the blackboard.

The learner should, from the first, invariably compute the value of all articles bought or sold, whether the calculations are made in the book or not. It would be to his advantage to do this in studying any treatise on Book-keeping. But in the use of this work it becomes absolutely necessary ; for transactions are soon introduced where such computations are unavoidable.

TRANSACTIONS TO BE RECORDED IN THE BOOKS OF BOTH
THE BUYER AND SELLER.

Transaction 1.—January 2nd, 1877.

John Brown buys of James Smith one felt hat, for which he agrees to pay him three dollars.

John Brown is the debtor, because he is the receiver. James Smith is the creditor, because he is the giver.

Transaction 2.—January 3rd, 1877.

Wm. Jones sells to Peter West one pair of boots, for which he is to pay him five dollars.

Peter West is the debtor, because he is the receiver. Wm. Jones is the creditor, because he is the giver or seller.

Transaction 3.—January 4th, 1877.

Robert North sells to George South four reams of paper, for which he is to pay twelve dollars.

George South is the debtor, because he is the receiver. Robert North is the creditor, because he is the giver.

Transaction 4.—January 5th, 1877.

B. M. Norman buys of J. B. Graham one overcoat, for which he is to pay twenty dollars.

B. M. Norman is the debtor, because he is the receiver. J. B. Graham is the creditor, because he is the giver or seller.

MODE OF ENTERING THE FOREGOING TRANSACTIONS.

No. 1.			
1877.		James Smith enters in his book—	
Jan.	2	John Brown <i>Dr.</i>	
		To one felt hat	3 00
		John Brown enters in his book—	
Jan.	2	James Smith <i>Cr.</i>	
		By one felt hat	3 00
No. 2.			
		Wm. Jones writes in his book—	
Jan.	3	Peter West <i>Dr.</i>	
		To one pair of boots	5 00
		Peter West writes in his book—	
Jan.	3	Wm. Jones <i>Cr.</i>	
		By one pair of boots	5 00
No. 3.			
		Robert North writes in his book—	
Jan.	4	George South <i>Dr.</i>	
		To four reams of paper at \$3	12 00
		George South writes in his book—	
Jan.	4	Robert North <i>Cr.</i>	
		By four reams of paper at \$3	12 00
No. 4.			
		J. B. Graham enters in his book—	
Jan.	5	B. M. Norman <i>Dr.</i>	
		To one overcoat	20 00
		B. M. Norman enters in his book—	
Jan.	5	J. B. Graham <i>Cr.</i>	
		By one overcoat	20 00

SINGLE ENTRY.

INSTRUCTIONS.—SET I.

THE most simple form of keeping accounts is presented in this set. It is well adapted for mechanics and others whose business transactions are very limited. Only one book is used, the Ledger, and the transactions are entered directly in it without the intervention of a Day Book. The space to be appropriated for any account, in actual business, will be greater or less according to the extent of the person's dealings. Open only one account on each page in this set, as there are but few persons with whom you have dealings and the accounts are long. The name of the person should be written in a fair bold hand, so that it may be readily seen when turning the leaves, and easily distinguished from the other writing. Over the double money columns to the right of the page, write "Dr." and "Cr.," to show where the amounts of the items are to be placed.

In writing up this set, first read the narrative of transactions, and write each entry in its proper account, in the order of its date.

The first transaction to be entered is the purchase of iron and coal, from John Smith, on the 2nd of September. Open an account for John Smith by placing his name in a large bold hand at the top of the page, and over the double money columns to the right, place "Dr." and "Cr.," as directed above; then enter to his Cr. the items purchased from him. Next open an account for William West, and enter, to the Dr. side, the work done for him; then open Thomas Brown's account, and charge him with the work done on the 3rd, and so on, making all the entries of one day before making any of the succeeding day. In making the entries, first write the date on the left, then the item, and lastly the amount in its proper column. The word "To" is prefixed to the items for which the accounts are debited, and the word "By" to those for which the accounts are credited. Great care should be taken to avoid placing the amounts in the wrong columns.

Before closing the Ledger, which should be done at stated periods, every transaction that will affect any account should be entered, and settlements effected as far as practicable. This

done, add the amounts that are in the columns of the different accounts—such as Wm. West's, and others that have the footings of the Dr. and Cr. columns equal, rule off, and place the footings as shown in the account. If one side of the account is larger than the other, as shown by John Smith's account, find the difference between the two sides, write the date of closing, and say, as the case may be, "To" or "By" balance, and place the difference or balance on the smaller side.

After the Ledger is closed, make out the statement. This is a very important part of book-keeping, as it shows the results of the business and the general condition of affairs. The statements should contain a list of all property belonging to the business, a list of all accounts against others, and also a list of all debts owing to others.

In subsequent sets the statements will include a greater variety of accounts.

TRANSACTIONS.—SET I.

1876.

MECHANICS' FORM.

- Sep. 1st. Rented the shop and tools of John Smith, at ninety-six dollars per year, for the purpose of carrying on the business of a blacksmith.
- " 2nd. Bought of John Smith, on one year's credit, his stock of iron and coal—5000 lbs. iron at 5c. and 5 tons coal at \$8—\$290.
- " " Shod 2 horses all around, for Wm. West, \$1; repaired his waggon and set 1 tire, \$2.20.
- " 3rd. Made 1 large clevis for Thomas Brown, \$1.25; mended 2 barn hinges, 30c.; and tempered crow-bar, 20c.
- " " Mended trace chain for George Weaver, 30c.; shod 1 horse (fore feet), 50c.; set waggon tire, \$1; ironed neck yoke, \$1.
- " 4th. Mended log chain for John Smith, 2 new links, 40c.; sharpened and set 4 shoes, 75c.; sharpened coulter, 25c.; 1 pair small clevises, \$1.
- " 5th. Received from Wm. West 5 bush. potatoes, at 40c.; 4 lbs. butter, at 25c.; 10 lbs. cheese, at 10c.
- " " Repaired plough for John Smith, \$1; rod for same, 20c.; 2 bolts, 35c.; 1 clevis, 50c.
- " 8th. Ironed 1 bucket for Thomas Brown, \$1.25; shod colt, 4 new shoes, \$1; tempered drill and pick-axe, 25c.; and ironed whiffletrees, 50c.

BOOK-KEEPING.

- Sep. 9th. Ironed waggon for George Weaver, \$15.25 ; mended shovel, 20c. ; and repaired sulky, \$2.20.
- " 10th. Received from Thomas Brown 1 turkey, \$1 ; 1 load wood, \$2. Shod his horses all around, 4 new shoes, \$1.50 ; sold him 4 hooks and staples, at 15c. ; 1 iron wedge, 75c.
- " 12th. Repaired drag for John Smith, 2 new bands, 50c. ; ironed neck-yoke, \$1 ; ironed whiffletrees, \$1.50.
- " " Received from George Weaver 5 doz. eggs, at 15c. ; 4 bags apples, at 40c. ; 1 quarter lamb, 15 lbs., at 10c.
- " 13th. Mended waggon box for Wm. West, \$1.25 ; sharpened 15 drag teeth, at 5c. ; 4 new links for trace chain, at 15c.
- " 15th. Sold John Smith 40 lbs. gate hinges, at 15c. ; 10 lbs. bolts, at 12½c.
- " " Repaired buggy shaft for Wm. West, 50c. ; set 2 shoes, 25c. ; mended shovel, 25c.
- " " Sharpened and set two shoes for George Weaver, 35c. ; repaired cultivator, \$1.25 ; sold him 1 large clevis, \$1.20.
- " 16th. Mended shovel for Thomas Brown, 20c. ; sold him 2 bands for harrow, 50c. ; and set two shoes (colt's fore feet), 25c.
- " 17th. Received from Wm. West 1 brace chickens, 50c. ; 4 bush. potatoes, 30c.
- " " Repaired buggy for John Smith, \$3.20.
- " 20th. Received from Thomas Brown, on account, 5 lbs. butter, at 20c. ; 4 bush. apples, at 25c.
- " 24th. Received from George Weaver, on account, ½ ton hay, \$6.25 ; 1 bbl. flour, \$5.50.
- " " Repaired ox-yoke and chain for Thomas Brown, \$1.80 ; and set two shoes, 25c.
- " 25th. Sold George Weaver 4 strap hinges, at 25c. ; 1 clevis, 75c. ; 1 hook and staple, 15c.
- " 26th. Received from Wm. West cash in full of account, \$1.10.
- " " Sold Thomas Brown 1 pair buggy springs, \$3.50.
- " 29th. Received from George Weaver cash, in full of account, \$9.55.
- " " Ironed lumber waggon for John Smith, \$14.40
- " 30th. Received from Thomas Brown cash, in full of account, \$14.10.

I have on hand iron, as per inventory, \$240 ; coal, \$30 ; manufactured horse shoes, bolts, clevises, &c., \$30.50.

John Smith. Dr. Cr.

1876.					
Sep.	2	By 5000 lbs iron, at 5c.		250	00
		" 5 tons coal, at \$8		40	00
"	4	To Mending 1 log chain (2 new links)	40		
		" Sharpening and setting 4 shoes	75		
		" Sharpening coultter	25		
		" 1 pair small clevises	1	00	
"	5	" Repairing 1 plough	1	00	
		" 1 rod for "	20		
		" 2 bolts	35		
		" 1 clevis	50		
"	12	" Repairing drag (2 new bands)	50		
		" Ironing 1 neck yoke	1	00	
		" " 1 pr of whiffletrees	1	50	
"	15	" 40 lbs. gate hinges, at 15c.	6	00	
		" 10 " bolts, at 12½c.	1	25	
"	17	" Repairing buggy	3	20	
"	29	" Ironing lumber waggon	14	40	
"	30	" Balance to new account	257	70	
				290	00
				290	00

NOTE.—It is usual to rule with *red ink*. And it is also recommended (although we have not found it convenient to do this in the book) to write the *closing entries in red ink*, in order that the eye may more readily distinguish entries of transactions from mere closing entries.

BOOK-KEEPING.

*William West.**Dr. Cr.*

1876.					
Sep.	2	To Shoeing 2 horses all around	1	00	
		" Repairing waggon and setting 1 tire	2	20	
"	5	By 5 bush. potatoes, at 40c.			2 00
		" 4 lbs. butter, at 25c.			1 00
		" 10 lbs. cheese, at 10c.			1 00
"	13	To Mending waggon box	1	25	
		" Sharpening 15 drag teeth, at 5c.		75	
		" 4 new links for trace chain, at 15c.		60	
"	15	" Repairing buggy shaft		50	
		" Felling 2 shoes		25	
		" Mending 1 shovel		25	
"	17	By 1 pair chickens			50
		" 4 bush. potatoes, at 30c.			1 20
"	26	" Cash in full of account			1 10
			6	80	6 80

Thomas Brown. Dr. Cr.

1876.				
Sep.	3	To Making 1 large clevis	1 25	
		" Mending 2 barn hinges	30	
		" Tempering 1 crow-bar	20	
"	8	" Ironing 1 bucket	1 25	
		" Shoeing coll, 4 new shoes	1 00	
		" Tempering drill and pickaxe	25	
		" Ironing whiffletrees	50	
"	10	By 1 turkey		1 00
		" 1 load wood		2 00
		To Shoeing horses all around (4 new shoes)	1 50	
		" 4 hooks and staples at 15c.	60	
		" 1 iron wedge	75	
"	16	" Mending 1 shovel	20	
		" 2 bands for harrow	50	
		" Setting 2 shoes (coll's fore- feet)	25	
"	20	By 5 lbs. butter, 20c.		1 00
		" 4 bush. apples, at 25c.		1 00
"	24	To Repairing ox-yoke and chain	1 80	
		" Setting 2 shoes	25	
"	26	" 1 pair buggy springs	8 50	
"	30	By Cash, in full of account		14 10
			19 10	19 10

George Weaver. Dr. Cr.

1876.					
Sep.	3	To Mending 1 trace chain	30		
		" Shoeing 1 horse (fore feet)	50		
		" Setting waggon tire	1 00		
		" Ironing 1 neck yoke	1 00		
"	9	" " waggon	15 25		
		" Mending 1 shovel	20		
		" Repairing sulky	2 20		
"	12	By 5 doz. eggs, at 15c.			75
		" 4 bags apples, at 40c.			1 60
		" 1 qr. lamb, 15 lbs., at 10c.			1 50
"	15	To Sharpening and setting 2 shoes	35		
		" Repairing 1 cultivator	1 25		
		" 1 large clevis	1 20		
"	24	By 1/2 ton hay			6 25
		" 1 bbl. flour			5 50
"	25	To 4 strap hinges, at 25c.	1 00		
		" 1 clevis	75		
		" 1 hook and staple	15		
"	29	By Cash, in full of account			9 55
			25 15	25 15	

Statement of Resources and Liabilities.

Resources.

Iron on hand, valued at	=	=	\$240 00
Three tons coal, at \$10	=	=	30 00
Horse shoes, bolts and clevises	=	=	30 50
Cash in hand	=	=	24 75
Total Resources	=	=	\$325 25

Liabilities.

Am owing John Smith, on account	=	\$257 70
One month's rent, at \$6 per year	=	8 00
Total Liabilities	=	\$265 70
Difference between Resources and Liabilities, or		
Net Worth	=	\$59 55

As you began without capital and are now worth \$59.55, you must have gained this amount during the month you have been in business.

FIRST SET FOR PRACTICE.

USE ONLY THE LEDGER, SAME AS IN PRECEDING SET.

On Jan. 3rd, 1877, commenced business with \$1500 in cash. Paid for store fixtures, \$200 ; for goods, as per invoice, \$800.*

THE FOLLOWING TRANSACTIONS ARE TO BE ENTERED.

- Jan. 4. Sold R. J. Wallace, on account, 1 broadcloth coat, \$30 ; pants and vest, \$15 ; overcoat, \$7.
- " 5. Sold W. J. Graham, 1 pair pants, English cassimere, \$10 ; 1 sack coat, blue melton, \$20 ; 1 pair striped tweed pants, \$10.
- " 6. Sold James Hughes, 1 beaver overcoat, \$30 ; 1 Scotch tweed coat, \$12.

* No entry is to be made of the foregoing in the Ledger, but a memorandum of it should be kept.

BOOK-KEEPING.

- Jan. 8. Sold Geo. Denmark, 1 necktie, \$1.25; $\frac{1}{2}$ doz. handkerchiefs, \$2; and 1 pair suspenders, \$1.
- " 9. Sold J. R. Dingman, 1 boy's suit, for son John, \$18; and 1 coat for Robert, French cassimere, \$8.
- " 11. Bought of John McDonald & Co., 1 piece of English broadcloth, 25 yds., at \$3.
- " 12. Sold J. R. Dingman, 1 pair doeskin pants, \$8; 1 vest, \$5.
- " 15. Sold Geo. Denmark, 2 neckties, at 25c.
- " 16. Received from R. J. Wallace, on account, \$20.
- " 17. Sold W. J. Graham, 1 pair French cassimere pants, \$10; 1 satin vest, \$5; 1 overcoat, \$25; 1 suit Scotch tweed, \$25.
- " 19. Bought of John McDonald & Co., 24 yds. French cassimere, at \$2; and 10 doz. linen handkerchiefs, at \$3.
- " 22. Received from W. J. Graham, on account, 4 tons coal, at \$8.
- " 23. Paid John McDonald & Co., on account, \$50.
- " 24. Sold R. J. Wallace, 1 dress coat, \$30; 1 cassimere vest, \$6; 2 pairs hose, at 45c.
- " 25. Received of J. R. Dingman, cash on account, \$5.
- " 26. Sold to A. B. Chatham, 1 black cloth coat, \$20; 1 pair cassimere pants, \$8.25; took in payment an order given by James Hughes.
- Charge these goods to James Hughes, as they were given on his account.*
- " 27. Sold J. R. Dingman, 6 shirts, at \$2; and 1 frock coat, French cloth, \$30.
- " 29. Gave John McDonald & Co. my note at 3 months, on account, \$53.
- " 30. Received from W. J. Graham, his note at 2 months, in full of account, \$73.
- " " Received from George Denmark, cash in full of account, \$4.75.

THE FOLLOWING ARE THE RESOURCES AND LIABILITIES, NOT SHOWN ON LEDGER.

Merchandise unsold, as per Inventory, \$750; Bills Receivable on hand, W. J. Graham's Note for \$73; Cash on hand, \$479.75; Store fixtures, \$200; Am owing on Note, favor of John McDonald & Co., \$53.

STATEMENT OF RESOURCES AND LIABILITIES.

FIRST SET FOR PRACTICE.

Resources.

Merchandise unsold, as per Inventory	-	-	-	\$750 00
Bills Receivable, W. J. Graham's Note for	-	-	-	73 00
Cash on hand	-	-	-	479 75
Store fixtures, as per valuation	-	-	-	200 00
R. J. Wallace owes on account	-	-	-	68 90
James Hughes " "	-	-	-	70 25
J. R. Dingman " "	-	-	-	76 00
Total Resources	-	-	-	<u>\$1717 90</u>

Liabilities.

Am owing John McDonald & Co., on account	-	-	-	\$50 00
Bills Payable, outstanding Note for	-	-	-	53 00
Total Liabilities	-	-	-	<u>\$103 00</u>
Total Resources at closing	-	-	-	\$1717 90
" Liabilities "	-	-	-	<u>103 00</u>
Difference, or present Net Capital	-	-	-	<u>\$1614 90</u>
Present Net Capital	-	-	-	\$1614 90
Deduct Net Investment	-	-	-	<u>1500 00</u>
Net Gain	-	-	-	<u>\$114 90</u>

The pupil will see by the above statement, that—

To find the **Net Capital** we subtract the **Liabilities** from the **Resources**, and

To find the **Net Gain** we subtract the *Net Capital* at starting from the *Net Capital* at closing.

NOTE.—If the **Net Capital** at closing is less than the **Net Capital** at starting, the difference will show the loss, and if the **Liabilities** are greater than the **Resources**, the difference will show the **Net Insolvency**.

QUESTIONS FOR REVIEW.

How many books are used in Set I.? For what kind of business is this mode of keeping books adapted? How is the space to be allowed each account determined? For what is the left hand marginal column used? For what is the space between the date column and the money columns used? For what are the left hand money columns used? For what the right? What are done with the accounts that have the debits and credits equal? What does a double red line under an account indicate? What colored ink is used for ruling and balancing? How are accounts closed in which one side is larger than the other? On which side and in what colored ink is the balance placed? What should be made at the time of closing the Ledger? What should the statement contain?

In answering the following, the pupil may have his statement before him :—

What effects have you on hand at the time of closing? How much cash? How much do you owe others? How much do you owe in notes? What are your total resources at closing? What are your total liabilities? How much is the difference between your assets and liabilities? What is it called?

SINGLE ENTRY.

INSTRUCTIONS.—SET II.

In the following set, instead of entering the transactions directly into the accounts, as was done in the preceding set, they are first recorded in the Day Book, and afterward transferred in an abbreviated form into the Ledger. When business transactions become numerous, it is inconvenient to turn to the proper accounts and enter each transaction at the time it occurs. Another disadvantage of the preceding form is, that it would require considerable trouble to ascertain what business had been done on any particular day, whereas by the following method this may be seen almost at a glance.

DAY BOOK.

All transactions which affect the debit or credit of any person with whom an account should be kept, are first recorded in this book.

Whenever you sell a person anything, pay him money, perform work for him, or he in any manner becomes indebted to you, he must be debited with the same in this book, to show that he owes you. And when any person sells you anything, pays you money, does work for you, or you in any way become indebted to him, he must be credited with the same in this book, to show that you owe him.

In entering purchases it is allowable to say "Am't as per Bill," or "Am't as per Invoice," and omit the detail of items, since you have the Invoice filed away or pasted in a book, and can refer to it at any time; but in entering sales *the items should always be mentioned*, as this is your only evidence of the transaction.

LEDGER.

The Ledger of this Set differs from that of Set I., in the arrangement of debit and credit entries. Each page is ruled in such a manner that the debits are kept on one side, and the credits on the other, entirely distinct from one another. All the entries, scattered in different parts of the Day Book, that affect the accounts of each person are here collected under his name, and so arranged as to exhibit, in one place, all his dealings with us.

The proprietor, George Hairgrave, commenced business with the property and with the amounts due him, as specified in the first entry of the Day Book.

He therefore credits himself with the whole amount, \$3310, as his investment, and debits himself with the amount he owes Johnson. Richard Dawson is debited for what is due from him, in order that it may appear in his account in the Ledger. John Johnson is next credited with the amount due him. This finishes the opening entries, and the books are now ready for any transactions that may take place. As the transactions of this set are all of a simple nature, special explanations concerning them have not been considered necessary. The entries should be arranged in the Day Book just as they are given.

All cash transactions are omitted except those affecting the accounts of persons with whom we have dealings, additional investments, and the withdrawal of money for purposes not connected with the business.

The figures in the centre, between the entries, represent the dates when the transactions took place. The rulings should always be in red ink, and may be omitted until a page is filled.

They are for the purpose of keeping the entries distinct, and thus rendering their transfer to the Ledger less liable to mistakes.

The figure in the left hand marginal column shows the page of the account in the Ledger, and denotes that the entry has been posted, and should, therefore, not be written till that is done.

Posting is done as follows:—after writing the name of the person who is to be debited or credited over the space allotted to his account, with “Dr.” on the left and “Cr.” on the right, then write on the proper side of the account, first the date, next the description or item, then the *folio* or page of the Day Book from which the entry is transferred, and lastly the amount. After this is done, turn to the Day Book, and in the column to the left of the transaction place the number of the page that the account is on in the Ledger, to show that the entry has been posted. In each book the page of the other is given for reference in examining accounts, making out bills, &c.

When there are several items in the Day Book entry, in order to save writing, they are called “Sundries” or “Merchandise” in the Ledger, and the total amount is entered. The items can be obtained by referring to the Day Book.

It will be observed that P. L. Dorland paid his account in full on the 10th of Jan., when it was closed up, but having occasion to do further business with him, the transactions were posted in the same account.

After all the entries in the Day Book are posted, examine them, to see that your work is free from error. Then proceed to close the accounts. Those that remain unsettled are closed by a *red ink* entry, writing the words “To” or “By Balance” on the smaller side, as in Set I. Accounts such as Peter Cooper & Co., in which the Dr. and Cr. sides are equal, are closed by ruling up same as in example.

The proprietor’s account should be left open until the gains or losses have been ascertained, and after the statements are completed, the gains should be entered to the credit side, or the losses to the debit side of this account. Then close the account, and bring the balance, which shows his Net Capital, down to new account.

If the result of the business should be a *loss* sufficiently large to make the debit side of the proprietor’s account larger than the credit, the difference or balance will show his Net Insolvency.

Toronto, January 1, 1877.

1

George Hairgrave	Cr.			
By Investments, as follows:				
Misc, as per inventory		1200	00	
Note against W. S. Grant, due				
March 1, for		500	00	
Cash on hand		1500	00	
Richard Dawson's account for		110	00	3310 00
Dr.				
To Amount due John Johnson				12 00
"				
Richard Dawson	Dr.			
To Balance of account owed by				
him this date				110 00
"				
John Johnson	Cr.			
By Balance of account due him this				
date				12 00
"				
P. L. Dorland	Dr.			
To 3 bbls. Extra Flour	\$8	24	00	
" 4 qts. Cranberries	16	64		
" 3 lbs. Pork	12	36		25 00
2				
Peter Cooper & Co.	Cr.			
By Coffee and Tea, as per invoice				216 00
3				
John Johnson	Dr.			
To 3 lbs. Coffee	42	1	26	
" 8 lbs. Sugar	12 1/2c.	1	00	2 26

Toronto, January 3, 1877.

William Biggar	Dr.			
To 16 bush. Oats	.32	5	12	
" 4 bush. Potatoes	.60	2	40	7 52
Cr.				
By Cash				2 00
4				
H. C. Emerson	Dr.			
To 1 doz. Eggs		2	4	
" 3 lbs. Soap	.8	2	4	48
5				
P. L. Dorland	Dr.			
To 1½ bush. Potatoes	.60			90
Cr.				
By 5 bush. Wheat	\$1.40			7 00
"				
James Brown & Co.	Cr.			
By 20 bbls. Flour	\$5			100 00
7				
Richard Dawson	Cr.			
By 25 bush. Potatoes	.52			13 00
8				
William Biggar	Dr.			
To 2 bbls. Flour	\$7	14	00	
" 5 lbs. Oolong Tea	.98	4	90	18 90
9				
H. C. Emerson	Dr.			
To 12 lbs. Lard	.44			1 32
10				
P. L. Dorland	Cr.			
By Cash in full of account				18 90

Toronto, January 11, 1877.

3

H. C. Emerson	Dr.			
To 3 lbs. Java Coffee	.40			1 20
Cr. _____				
By 30 bush. Corn	.80			24 00
" _____				
James Brown & Co.	Dr.			
To Cash on account				80 00
12 _____				
John Johnson	Dr.			
To 10 lbs. Butter	.28			2 80
14 _____				
Peter Cooper & Co.	Cr.			
By Coffee, Sugar and Dried Fruit,				350 00
per invoice				
" _____				
H. C. Emerson	Dr.			
To 2 doz. Eggs	.22	44		
" 4 lbs. Tea	.98	3 92		4 36
" _____				
John Johnson	Dr.			
To 1 bush. Turnips		58		
" 8 lbs. Cheese	.14	1 12		
" 6 lb. Lard	.15	90		2 60
15 _____				
Richard Dawson	Dr.			
To 2 bbls. Dried Apples,				
200 - 18 = 182 lbs.	.40	18 20		
" 1 bbl. Mess Pork		20 00		38 20
Cr. _____				
By Cash				56 00
16 _____				
William Biggar	Cr.			
By Cash, on account				5 56

Toronto, January 16, 1877.

Peter Cooper & Co.	Dr.		
To Cash on account			180 00
17			
P. L. Dorland	Dr.		
To 10 lbs. Brown Sugar	.10	1 00	
" 8 lbs. Codfish	.07	56	
" 1 bbl. Flour		10 00	11 56
18			
John Johnson	Cr.		
By 5½ bush. Corn	.79		4 34
19			
Richard Dawson	Cr.		
By Cash on account			12 00
"			
George Hairgrave	Dr.		
To Cash, for private use			100 00
"			
James Brown & Co.	Cr.		
By 5 bags Coffee, 675 lbs.	.30		202 50
Dr.			
To Cash			200 00
21			
P. L. Dorland	Dr.		
To 6 lbs. Coffee	.38	2 28	
" 5 lbs. Butter	.30	1 50	3 78
25			
William Biggar	Cr.		
By Cash on account			9 50
26			
Richard Dawson	Dr.		
To 3 gals. Molasses	.75		2 25

Toronto, January 26, 1877.

5

H. C. Emerson	Dr.			
To 2 bbls. Family Flour	\$9	18	00	
" 6 lbs. Rice	.12	72		18 72
27				
John Johnson	Dr.			
To 3 bush. Potatoes	.60			1 80
28				
Peter Cooper & Co.	Dr.			
To Cash in full of account				386 00
29				
William Biggar	Dr.			
To 7 lbs. Butter	.30	2	10	
" 3 doz. Eggs	.28	84		
" 8 lbs. Dried Apples	.15	1	20	4 14
30				
John Johnson	Cr.			
By Cash on account				2 80
31				
H. C. Emerson	Dr.			
To 3 lbs. Oolong Tea	.90			2 70
Resources not shown on Ledger.				
Mds on hand, as per In-				
ventory =	=	=	\$2207	35
Cash " "	=	=	660	70
Bills Rec'ble, Note against				
W. S. Grant =	=	=	500	00

George Haigrave.

Dr.

Cr. 1

1877.			1877.		
Jan.	To John Johnson	12 00	Jan.	By Sundries	33 10 00
"	" Cash	100 00	"	" " Net gain	243 00
"	" Balance	344 00			
		3553 00			3553 00

52

Richard Dawson.

Dr.

Cr.

1877.			1877.		
Jan.	To Balance of account	440 00	Jan.	By Potatoes	13 00
"	" Merchandise	38 20	"	" Cash	56 00
"	" Molasses	2 25	"	" "	12 00
			"	" Balance	69 45
		150 45			150 45

William Biggar.

Cr. 3

Dr.

1877.					
Jan.	3 To Merchandise	752	3 By Cash		200
"	8 " "	1890	16 " "		550
"	29 " "	414	25 " "		950
			31 " Balance		1356
		3056			3056

H. C. Emerson.

Cr.

Dr.

1877.					
Jan.	4 To Merchandise	48	11 By Corn		2400
"	9 " Lard	132	31 " Balance		478
"	11 " Java Coffee	120			
"	14 " Merchandise	436			
"	26 " "	1872			
"	31 " Tea	270			
		2878			2878

4 Dr. P. L. Doidand. Cr.

1877. Jan.	1 To Merchandise	25 00	1877. Jan.	5 By Wheat	7 00
"	5 " Potatoes	90	"	10 " Cash	18 90
		25 90			25 90
Jan.	17 To Merchandise	11 56	Jan.	31 By Balance	15 34
"	21 " "	3 78			
		15 34			15 34

Dr. James Brown & Co. Cr.

1877. Jan.	11 To Cash	80 00	1877. Jan.	5 By Flour	100 00
"	19 " "	200 00	"	19 " Coffee	20 25
"	31 " Balance	22 50			
		302 50			302 50

SINGLE ENTRY.

STATEMENTS.—SET II.

Balances of the Ledger, Jan. 31, 1877.

Personal Accounts Receivable.			Personal Accounts Payable.		
<i>Richard Dawson</i>	\$69	45	<i>John Johnson</i>	\$9	68
<i>William Biggar</i>	13	56	<i>James Brown & Co.</i>	22	50
<i>H. C. Emerson</i>	4	78			
<i>P. L. Dorland</i>	15	34			
<i>Total owing by others</i>	\$103	13	<i>Total owing to others</i>	\$32	18

Resources and Liabilities.

Resources.

<i>Merchandise unsold, as per Inventory</i>	\$2209	35
<i>Cash on hand - - - - -</i>	660	70
<i>Bills Receivable, Note on hand - - -</i>	500	00
<i>Personal Accounts Receivable, as per Statement -</i>	103	13
	<u>\$3473</u>	<u>18</u>

Liabilities.

<i>Personal Accounts Payable - - -</i>	\$32	18
--	------	----

BOOK-KEEPING.

<i>Total Assets</i>	-	-	-	-	-	\$3473 18
<i>Deduct Total Liabilities</i>	-	-	-	-	-	32 18
						<hr/>
<i>Present Net Capital</i>	-	-	-	-	-	\$3441 00
						<hr/>
<i>Assets at commencing were</i>	-	-	-	-	-	\$3310 00
<i>Liabilities</i>	"	"	-	-	-	12 00
						<hr/>
<i>Net Capital at starting</i>	-	-	-	-	-	\$3298 00
<i>Amount withdrawn from the business</i>	-	-	-	-	-	100 00
						<hr/>
<i>Net Investment</i>	-	-	-	-	-	\$3198 00
						<hr/>
<i>Present Net Capital</i>	-	-	-	-	-	\$3441 00
<i>Deduct Net Investment</i>	-	-	-	-	-	3198 00
						<hr/>
<i>Net Gain</i>	-	-	-	-	-	\$243 00
						<hr/>

SECOND SET FOR PRACTICE.

MEMORANDA OF TRANSACTIONS TO BE RECORDED AND WORKED OUT LIKE THE PRECEDING SET.

1877.

- Mar. 1. A. W. Ponton commences the Grocery business, investing as follows :—Mdse, as per inventory, \$2450 ; note against L. R. Lazier, dated Nov. 4, 1876, at 6 months, for \$400 ; Cash on hand, \$1000 ; balance of E. B. Portland's account, \$150 ; he owes S. W. Houston, on account, \$200.
2. Sold S. W. Houston, 20 lbs. Refined Sugar, at 10c. ; 2 lbs. Young Hyson Tea, at 90c. ; 2 lbs. Oolong Tea, at 90c. ; 6 lbs. Coffee, at 25c.
- " 3. Sold E. B. Portland, 12 half chests Y. H. Tea, 32 lbs. each, at 60c. ; 4 lbs. Coffee at 25c. ; 10 lbs. Oatmeal, at 10c. ; 10 lbs. Butter, at 30c. ; 8 lbs. Cheese, at at 12½c.

1877.

- Mar. 4. Sold C. V. Bogart, 2 papers Corn Starch, at 15c. ; 1 piece Smoked Beef, 15 lbs., at 15c. ; 18 lbs. Cheese, at 12½c.
- " 5. Bought of R. G. Brown, 200 lbs. Cheese, at 8c. ; 50 doz. Eggs, at 10c.
- " 6. Sold E. B. Portland, 1 bag Hominy, 50c. ; 10 lbs. Coffee, at 25c. ; 4 gals. Cider Vinegar, at 35c. ; 2 bags Salt, at 20c. ; 5 doz. Eggs, at 15c.
- " 8. Sold C. V. Bogart, 8 lbs. Butter, at 30c. ; 5 lbs. Lemon Biscuit, at 15c.
- " 9. Received from E. B. Portland, Cash on account, \$50.
- " 10. Sold S. W. Houston, 5 lbs. Butter, at 30c. ; 1 bag Buckwheat Flour, \$1.25 ; 1 box Soap, 40 lbs., at 8c. ; 2 lbs. Powdered Sugar, at 12½c. ; 10 lbs. Cheese, at 12½c. ; 1 gal. Syrup, \$1.
- " 11. Sold R. G. Brown, 10 bags Flour, at \$1.25.
- " 12. Bought of C. V. Bogart, 20 bush. Potatoes, at 25c. ; 35 doz. Eggs, at 10c.
- " 13. Sold E. B. Portland, 10 lbs. Butter, at 30c ; 5 lbs. Oyster Biscuits, at 10c. ; 4 lbs. Soda Biscuits, at 10c. ; 2 boxes Cinnamon, at 12½c.
- " 16. Sold S. W. Houston, 1 paper Starch, 5 lbs., at 8c. ; 10 bars Soap, at 15c. ; 8 lbs. Butter, at 30c.
- " 17. Received from E. B. Portland, Cash on account, \$25.
- " 18. Sold R. G. Brown, 10 lbs. Sugar, at 10c. ; 4 lbs. Imperial Tea, at \$1 ; 3 lbs. Coffee, at 25c. ; 3 lbs. Chocolate, at 40c.
- " 19. Sold C. V. Bogart, 20 lbs. Sugar, at 10c. ; 2 lbs. Coffee, at 25c. ; 4 lbs. Oatmeal, at 10c. ; 1 bag Hominy, 50c. ; 1 paper Corn Starch, 15c. ; 3 oz. Indigo, at 15c. ; 2 bars Soap, at 15c.
- " 22. Bought of R. G. Brown, 10 bbls. Flour, at \$8 ; 3 bags Oatmeal, at \$1.25.
- " 23. Paid S. W. Houston, Cash on account, \$25.
- " 24. Received from C. V. Bogart, Cash in full of account, \$3.75.

Resources not shown on Ledger :—Cash in hand, \$1053.75 ; Merchandise, as per inventory, \$2350.65 ; Note against L. R. Lazier for \$400.

The result of this Set, properly worked, is:—Net Gain, \$85.05 ; Net Worth at closing, \$3885.05.

QUESTIONS FOR REVIEW.

What books are used in Set II.? In which book are the transactions first entered? To what book are they afterwards transferred? Under what circumstances is this mode preferable to Set I.? Why? What should the record of the Day Book state? What transactions are recorded in the Day Book? When is a person debited in the Day Book? When credited? In what way may the entry of purchases be shortened in the Day Book? Why is this allowable? Why may not sales be abbreviated in the same way? What is the object of the rulings between the entries in the Day Book? What is meant by posting? Wherein does the Ledger of Set II. differ from that of Set I.? For what purpose is the page of the Day Book from which an entry is taken placed in the account in the Ledger? After an entry is posted what should be written in the Day Book? Why? When there are several items, what word is used to save space? What should be done as soon as all the entries are posted? What account should be left open until after the gains or losses have been ascertained? What does the double line under an account indicate? What is done with accounts that have the debit and credit sides equal? How are accounts closed that have balances?

The following questions may be answered from the books and statements:

Which persons on the Ledger have balances owing by them? What is the total amount due from other persons? Which persons have balances owing to them? What is the total amount you owe to other persons? What is the total amount of your resources, and of what do they consist? What is the amount of your liabilities, and of what do they consist? What is your present net capital? How ascertained? How much did you invest at starting? How much was withdrawn from the business? What was the net investment during the continuation of the business? How are the gains or losses ascertained? How much has been gained or lost? What entry should be made after the gains have been ascertained? How is the proprietor's account now closed? What does the balance of his account show? If the result of the business should be a loss, and the debit side the larger, what would the balance show?

SET III.—SINGLE ENTRY.

THE business contained in this set is more extensive than that of the preceding, and therefore two additional books, the Cash Book and Bill Book, have been introduced as auxiliary to the Day Book and Ledger. The business is carried on by two

partners during a period of two months, each month representing, so far as the closing of the books and the determining of the profits are concerned, a year's business.

In business, settlements with individuals who deal with the firm should be made as often as practicable, but the statements of profits are not usually made out oftener than once in six months, and in most business houses but once a year.

DAY BOOK.

The Day Book of this set is kept the same as that of the preceding set, except that the left hand money column is used for the amounts of those accounts which are debited, and the right hand or outer column for the amounts of those accounts which are credited. By this arrangement a proof of the correctness of the posting is obtained. As all the amounts in the debit column are posted to the debit side of the Ledger, and all the amounts in the credit column are posted to the credit side of the Ledger, it follows, if the postings are correct, that the difference between the totals of the two sides of the Ledger will agree with the difference between the footings of the two columns in the Day Book, and thus we have a proof of our posting.

This proof is a very valuable feature, as by its means the omission to post any entry is easily and certainly detected. A post mark is not sufficient; it shows that an entry has been posted, but not that it has been posted correctly.

CASH BOOK.

This book, here introduced for the first time, affords, in connection with the Day Book, a complete history of all the business transacted.

There are various ways of keeping the Cash Book, but the following form is, perhaps, as simple as any, and as little liable to mistakes, for persons whose cash transactions are not very numerous, and who are not scientific accountants.

It contains two columns for dollars and cents.*

The amount of cash on hand at the commencement of business, and all money received, from any source whatever, must

* The pupil will observe that, in speaking of the money columns, we designate the space for dollars and the space for cents, united, as but one column.

BOOK-KEEPING.

be entered in this book "To," (describing for what,) and the amount be extended into the *left* hand dollar and cent column, which is called the *debit* column; and whenever money is paid out for any purpose whatever, it must be entered in this book "By," (telling what for,) and the amount extended into the *right* hand dollar and cent column, called the *credit* column. Thus, if the account is kept correctly, the difference between these two columns will show at all times the *balance* of cash in hand, and will agree with the actual amount of money found in possession by counting. Any discrepancy must arise from error, which must be sought out and rectified before the account is balanced. The credit column can never be the larger, since it is impossible to pay out more money than you receive.

The Cash Book should be balanced at the end of each week (or daily, when much business is done), by entering the balance of cash on hand in the credit column, in *red* ink, to distinguish it from sums paid away. When the Cash Book is not balanced daily, an informal balance should be made, and the result compared with the cash in hand. After footing the columns and drawing the lines, bring the balance down, in black ink, entering it in the debit column. The lines should be ruled exactly as in form. They serve to keep the new account distinctly separated from the old—a matter of greater importance than young book-keepers generally imagine. It adds greatly to the neat appearance of your book to begin the words "To" and "By" all upon a perpendicular line.

BILL BOOK.

When several notes are given or received each month, it has been found convenient to enter a minute description of them in a book prepared specially for that purpose. This enables any particulars concerning them to be seen at a glance, and an examination of the book will show what notes become due on any day, and thus timely preparation may be made for their collection or payment. Notes have been issued, and for want of such a record their existence has been forgotten, until great inconvenience, and even loss, has been the result. All necessary explanations are made by the headings of the different columns.

THE INVOICE BOOK is not given, as it is considered too simple to require explanation. In some houses the invoices of

goods purchased are copied into this book ; others paste the invoices in a large book for the purpose ; while others keep the invoices on file until the end of the month, and then fold them neatly, and after writing the name of the person from whom purchased, the date and the amount on the back of each invoice, tie them up in monthly packages.

THE INVENTORY BOOK is used for taking an account of the value of property owned by you, at any time, in order that you may use it in estimating your net capital, net gains, &c. The quantity and estimated value of each article are given. The list may fill several pages ; but as it is very simple, only a few items are enumerated.

INSTRUCTIONS FOR WRITING UP SET III.

An account is kept with each partner separately, and he is credited with what he invests in the business, and is charged with all debts assumed by the firm for him, and all sums which he withdraws. He is credited, when the books are closed, with his share of the gains.

The books are opened by making the entries in the Day Book to the debit and credit of each partner, and to the debit of A. R. Simcoe and Peter Grey, and to the credit of R. J. Bruce, Edward Huron and J. H. Lambton, whose accounts have been assumed by the firm ; entries are also made in the Cash Book of the cash invested, and in the Bill Book of Notes Receivable on hand and of Notes Payable outstanding. The list or inventory of merchandise, material, tools, &c., is not given, but in actual business it should be made out and carefully preserved.

Care should be taken to place each amount in its proper column in the Day Book, in order to avoid errors and trouble in balancing. After the entries are made in the different books for April 1st, then enter the transaction that occurs on the 3rd, and thus proceed with each succeeding date, entering the transactions in the Day Book, Cash Book and Bill Book, as may be required, in the date and order of their occurrence. This will give a much better knowledge of the transactions than if only one book is written up at a time.

Be careful to make all the extensions and additions correctly, and also to count the time when the notes mature, before enter-


ing them in the Bill Book. The three days of grace are always included in finding the date when a note falls due.

Open the partners' accounts first in the Ledger, and let all the other accounts follow them in regular order. Not more than three accounts should be opened on a page. The posting is the same as in Set II.

When the posting is finished, add the columns in the Day Book, if not already added, and carry the footings of the pages forward in the manner shown, until the end of the month. Also make out the statements as shown at the end of the month of April. Compare the difference between the totals of the debit and credit balances of the Ledger, with the difference between the totals of the debit and credit columns of the Day Book ; and if they are not alike, diligently search for the error until it is found, and then make the necessary corrections.

After the postings have been found to be correct, make out the statement for April, looking to your own work for the balances of the Ledger, for the amount of cash on hand, and for the notes receivable and payable. The inventory will be found at the end of the Day Book. The gains are ascertained and entered as in the preceding set.

Before commencing the second month, add the gains of the first month to the difference between the debit and credit columns of the Day Book, and place the sum in the credit column of the Day Book for May, in order to make the excess of credit on commencing this month equal to that of the Ledger.

 A statement showing the result of the whole Set is given at the end of the month of May. The pupil is obliged to depend entirely upon himself in entering the transactions of this month. The work when properly performed will agree with the results given in statement.

Montreal, April 1, 1877.

1

Dr.

Cr.

B. C. Hastings and T. S. Durham have this day entered into co-partnership, as dealers in Furniture and Cabinet-ware, under the firm name of "Hastings & Durham;" Mr. Hastings has transferred to the firm the assets and liabilities of a former business, and Mr. Durham is to invest their equivalent in cash. The parties are to share alike in gains and losses.

B. C. Hastings Cr.

By the following investment:

Mdse (finished articles), per	
Inventory	2500 00
Materials and Unfinished	
Work	2000 00
Tools and Implements	350 00
J. Jones' Note, due 20th	
April	650 00
A. Connor's Note, due	
April 29th	500 00
Balance of A. R. Sim-	
coe's a/c	600 00
" Peter Gray's a/c	400 00

7000 00

Amounts carried forward

7000 00

Montreal, April 1, 1877.

Dr.

Cr.

	Amounts brought forward			7000 00
	B. C. Hastings Dr.			
	To the following debts assumed by firm:			
1	Sundry Notes, as per B.B.	750 00		
	Balance due R. J. Bruce	150 00		
	" Edward Huron	200 00		
	" J. H. Lambton	140 00		
		1240 00		
	"			
	A. R. Simcoe Dr.			
2	To Balance due B. C. Hastings	600 00		
	"			
	Peter Grey Dr.			
2	To Balance due B. C. Hastings	400 00		
	"			
	R. J. Bruce Cr.			
3	By Balance due from B. C. Hastings		150 00	
	"			
	Edward Huron Cr.			
3	By Balance due from B. C. Hastings		200 00	
	"			
	J. H. Lambton Cr.			
4	By Balance due from B. C. Hastings		140 00	
	"			
	T. J. Durham Cr.			
1	By Cash invested		5760	
	Amounts carried forward	2240 00	13250 00	

Montreal, April 3, 1877.

3

Dr.

Cr.

	Amounts brought forward	2240	13250 00
	<i>A. R. Simcoe</i> Dr.		
2	To 1 Hair-cloth Mgy Sofa	25 00	
	" 1 Low-post Bedstead	3 00	
		28 00	
	4		
	<i>D. S. Elgin & Co.</i> Cr.		
5	By Bill of Paints, Varnishes, Brushes, &c.		200 00
	5		
	<i>F. M. Welland</i> Dr.		
	To 10 Mgy Chairs, at \$1.50	15 00	
	" 6 Kitchen "	.50 3 00	
5	" 2 Cherry Dining Tables, at \$6	12 00	
	" 1 Maple French Bed- stead	3 00	
	Cr.	33 00	
5	By Cash, in part payment		10 00
	6		
	<i>J. K. Frontenac</i> Dr.		
	To 1 Stuffed-back Chair	12 00	
	" 1 Cottage Bedstead, B.W.	10 00	
4	" 1 Corner Stand	4 00	
	" 1 Gothic Bedstead	15 00	
		41 00	
	9		
	<i>A. R. Simcoe</i> Cr.		
2	By his Note at 1 month, for goods bought on the 3rd inst.		28 00
	Amounts carried forward	2342 00	13488 00

Montreal, April 10, 1877.

Dr. Cr.

	Amounts brought forward	2342 00	13488 00
2	Peter Grey Dr. To 1 Gothic Mahogany Bedstead	25 00	
	Cr.		
2	By Cash on a/c		125 00
	11		
	R. J. Bruce Dr.		
	To 1 Card Table, Alg.	6 00	
	" 1 Piano Stool, Rosewood	7 50	
	" 2 Small Wash-stands, at		
3	\$2	4 00	
	" 1 Gothic Hall Stand, R. W.	12 00	
	" 1 Lounge for Study	10 75	
	Cr.	40 25	
3	By Note against Peter Cooper, in favor of Mr. Bruce, dated 4th inst., at 1 month		20 00
	12		
3	Edward Huron Dr.		
	To our Note, at 10 days for	150 00	
	13		
	J. H. Lambton Dr.		
	To 1 B. W. Extension Table	30 00	
	" 2 Children's High Chairs, Alg., at \$2	4 00	
4	" B. W. Book-case	18 00	
	" 2 Patent Pivot Chairs for Office, at \$8	16 00	
		68 00	
	Amounts carried forward	2625 25	13633 06

Montreal, April 16, 1877.

5

Dr.

Cr.

	Amounts brought forward	2625 25	13633 00
5	D. S. Elgin & Co. Dr. To Cash paid them on a/c	100 00	
	17		
2	A. R. Simcoe Dr. To 1 Dressing Bureau, B.W. 35 00 " 6 Carved Alpy Chairs, at \$5 30 00	65 00	
	Cr.		
2	By Cash on a/c		400 00
	19		
2	Peter Grey Cr. By Cash in full of a/c		300 00
	20		
4	J. E. Frontenac Dr. To 1 Stuffed-back chair 15 00 " 6 Parlor Chairs, Alpy, at \$4 24 00	39 00	
	23		
5	F. M. Welland Cr. By 10 bags Apples, at .75 7 50 " 4 " Potatoes, at .60 2 40 " 10 doz. Eggs, at .20 2 00		11 90
	Amounts carried forward	2829 25	14344 90

Montreal, April 24, 1877.

Dr.

Cr.

Amounts brought forward

2829 25 14344 90

J. H. Lambton Dr.

To 1 Rocking Chair Algy 9 00

" 1 Foot-stool, B.W. 3 00

12 00

Cr.

By Order on us from E. Huron

25 00

E. Huron Dr.

To Order favor of J. H. Lambton,
accepted by us, and placed to
Mr. Lambton's credit

25 0

26

J. F. Frontenac Cr.

By Cash on a/c

50 00

27

D. S. Elgin & Co. Dr.

To Cash in full of a/c

100 00

Inventory of Goods on hand,
April 30th, 1876.

2966 25 14419 90

Also, as per Inventory Book \$3100

Materials and Unfinished Work 2200

Tools and Implements 400

Store Fixtures 150

50

The following items of Cash received and paid at different times do not appear in the Day Book, because they are not to be debited or credited to any personal account, but they must be entered in the date and order of their occurrence in the Cash Book.

1877.		Dr.	Cr.
April	6	Received for sales of Mdse, this day	100 00
"	"	Paid for repairing workshop	40 50
"	10	" Circulars	3 50
"	11	" Mdse, as per Bill	500 00
"	"	" Freight on above	4 75
"	13	" Coal, 2 tons	16 00
"	19	Received for sales of Mdse	75 00
"	20	" "	120 50
"	"	Paid for Store Fixtures	150 50
"	"	" Advertising Business	42 25
"	22	Received for sales this day	140 50
"	23	" sales of Mdse	50 60
"	24	Paid Men's Wages	50 00
"	26	" for Lumber, as per Bill	64 60

CASH BOOK.—SET III.

		<i>Cash.</i>	<i>Dr.</i>	<i>Cr.</i>
1876.				
April	1	To Amount invested by T. J. Durham	5760 00	
"	5	" F. M. Welland, on a/c	10 00	
"	6	" Mlsc, sales this day	100 00	
"	"	By Carpenter's Bill for repairing shop		40 50
"	"	" Balance on hand*		5829 50
			5870 00	5870 00
April	8	Balance, Cash on hand	5829 50	
"	10	To Peter Grey, on a/c	125 00	
"	"	By Circulars and Envelopes		3 50
"	11	" Mlsc, as per Invoice		500 00
"	"	" Freight and Drayage on above		4 75
"	13	" 2 tons Coal		16 00
"	"	" Balance on hand*		5430 25
			5954 50	5954 50

* Red Ink.

Cash.

Dr.

Cr.

1876.					
April	15	Balance, Cash on hand	5430	25	
"	16	By D. J. Elgin, on a/c			100 00
"	17	To A. R. Simcoe, on a/c	400	00	
"	19	" Peter Grey, in full of a/c	300	00	
"	"	" Cash sales this day	75	00	
"	20	" Sales this day	120	50	
"	"	By Bill, for Store Fixtures			150 50
"	"	" Bill Heads and Advertising			42 25
"	"	" Balance *			6033 00
			6325	75	6325 75
April	22	Balance on hand	6033	00	
"	"	To Sales this day	140	50	
"	23	" "	50	60	
"	24	By Wages paid hands			50 00
"	26	" Lumber, as per W. Peter's Bill			64 60
"	"	To J. L. Frontenac, on a/c	50	00	
"	27	By D. J. Elgin, paid him in full			100 00
		" Balance *			6059 50
			6274	10	6274 10
April	30	Balance on hand	6059	50	

* Red Ink.



FORM OF BILL

Bills

No.	When received.	Payer.	In whose favor.	For what received.	Where payable.	Date of note.
1	April 1	J. Jones	B. C. Hastings	Invest.	Mont. Bk	Jan. 17
2	" "	A. Conners	" "	"	"	" 26
3	" 9	A. Simcoe	Firm	On a/c	"	April 9
4	" 11	P. Cooper	R. Bruce	Mdse	"	" 4

Bills

No.	When Issued.	To whom given.	In whose favor.	For what given.	Where payable.	Date of note.
1	Jan. 1	A. Ging	M. W. West	On a/c	Our office	Jan. 1
2	" 20	P. Grant	P. Grant	Mdse	"	" 30
3	Apr. 12	E. Huron	E. Huron	On a/c	"	April 12

BOOK.—SET III.

Receivable.

Time to run.	When due.												Amount.	When and how disposed of.	
	Year.	Jan.	Feb.	March.	April.	May.	June.	July.	Aug.	Sep.	Oct.	Nov.			Dec.
3 mos.	1877.				20									650 00	
3 "	"				29									500 00	
1 "	"					12								28 00	
1 "	"					7								20 00	
														<u>\$1198 00</u>	

Payable.

Time to run.	When due.												Amount.	When and how redeemed.	
	Year.	Jan.	Feb.	March.	April.	May.	June.	July.	Aug.	Sep.	Oct.	Nov.			Dec.
4 mos.	1877.					4								350 00	
3 "	"				23									400 00	
10 dys	"				25									150 00	
														<u>\$900 00</u>	

INDEX TO THE LEDGER.

This is a small book, or space ruled in the Account Book, in which are arranged, in alphabetical order, the names of all accounts in the Ledger, together with the pages on which such accounts are entered.

The object of keeping it is to enable us to refer readily to accounts in the Ledger. Whenever we open an account in the Ledger, we enter the name of the account and the number of the page in the Index. If an account should be transferred to another page, a red line should be ruled through the figures of the old page, and the number of the new page placed in the Index.

In real business the Index generally has a page allotted to each letter. The following illustration will be sufficient to explain how it is kept :—

A.	K.
B.	L.
<i>Bruce, R. J.</i> - - - —	<i>Lampton, J. H.</i> - - —
C.	M. N.
D.	O. P.
<i>Durham, T. S.</i> - - - —	Q. R.
E.	S.
<i>Elgin & Co., D. S.</i> - - - —	<i>Simcoe, A. R.</i> - - - —
F.	T. U.
<i>Frontenac, T. H.</i> - - - —	V. W.
G.	<i>Willand, F. M.</i> - - - —
<i>Grey, Peter</i> - - - - —	X. Y.
H.	Z.
<i>Huron, Edward</i> - - - —	
<i>Hastings, B. C.</i> - - - —	
I. J.	

LEDGER.—SET III.

Cr. 1

B. C. Hastings.

Dr.

1877. April	1 To Sundries	1877. April	1 By Sundries	1	7000 00
"	30 " Balance	"	30 " Gain		377 18
					7377 18
		May	1 By Balance from old a/c		6137 18

Cr.

T. J. Durham.

Dr.

1877. April	1 To Balance	1877. April	1 By Cash	2	5760 00
"		"	30 " Gain		377 17
					6137 17
		May	1 By Balance from old a/c		6137 17

Er.

A. Fr. Simeae.

2
Di.

1877.		1877.		1877.	
April	To B. C. Hastings	2	600 00	9	By Note
"	" " " "	3	28 00	17	" Cash
"	" " " "	5	65 00	30	" Balance
			693 00		693 00
			265 00		265 00
May	To Balance from old a/c				

Er.

Peter Grey.

Dr.[illegible]

Dr.

R. J. Bruce.

Dr.

[illegible]

Dr.
79

Edward Huron.

Gr.

1877.	12	To Note	4	150 00	1877.	April	By B. C. Hastings	2	200 00
"	24	" Order	6	25 00					
"	30	" Balance		25 00					
				200 00					200 00
						May	By Balance from old a/c		25 00

4 Dr.

J. H. Lambton.

Cr.

1877.			1877.			
April	13 To Mlse	4	April	1 By B. C. Hastings	2	140 00
"	24 " "	6	"	24 " Order	6	25 00
"	30 " Balance					
						165 00
			May	1 By Balance from old a/c		85 00

80

Dr.

T. H. Frontenac.

Cr.

1877.			1877.			
April	6 To Mlse	3	April	26 By Cash	6	50 00
"	20 " "	5	"	30 " Balance		30 00
						80 00
May	1 To Balance from old a/c					

D. J. Elgin & Co.

Cr. 5

Dr.

1877.	16 To Cash	5	100 00	1877.	4 By Mds	3	200 00
April	27 "	6	100 00	April			
"				"			
			200 00				200 00

F. M. Welland.

Cr.

Dr.

1877.	5 To Mds	3	33 00	1877.	5 By Cash	3	10 00
April				April	23 " Provisions	5	11 90
				"	30 " Balance		11 10
			33 00				33 00
			14 10				
May	1 To Balance from old a/c						

BOOK-KEEPING.

STATEMENT.—SET III.

PROOF OF POSTING.

Ledger Balances, April 30th, 1877.

Personal Debtors.		Personal Creditors.	
<i>A. R. Simece</i>	265 00	<i>R. J. Bruce</i>	129 75
<i>T. H. Frontenac</i>	30 00	<i>Edward Huron</i>	25 00
<i>F. M. Welland</i>	11 10	<i>J. H. Lambton</i>	55 00
<i>Total Debits</i>	306 10	<i>Partners' Balances.</i>	
<i>Excess of Credits from</i>		<i>B. C. Hastings</i>	5760 00
<i>Day Book</i>	11453 65	<i>T. S. Durham</i>	5760 00
	11759 75	<i>Total Credits</i>	11759 75

Resources & Liabilities, April 30, 1877.

Resources or Assets.		Liabilities.	
<i>Personal a/c's Receivable, as per Ledger</i>	\$306 10	<i>Personal a/c's payable, from Ledger</i>	\$234 75
<i>Cash on hand, as per</i>		<i>Notes Outstanding,</i>	
<i>Cash Book</i>	- 6059 50	<i>as per B.B.</i>	- 900 00
<i>Merchandise, as per Inventory</i>	- 3100 00	<i>Total Liabilities</i>	\$1139 75
<i>Materials and Unfinished Work</i>	- 2200 00		
<i>Tools & Implements</i>	400 00		
<i>Store Fixtures</i>	- 150 50		
<i>Notes on hand, as per B.B.</i>	- 1198 00		
<i>Total Resources</i>	\$13414 10		

BOOK-KEEPING.


<i>Total Assets</i>	-	-	\$13414 10
" <i>Liabilities</i>	-	-	- 1139 75
			<hr/>
<i>Firm's Net Capital</i>	-		\$12274 35
			<hr/> <hr/>

<i>Firm's Present Net Capital</i>	\$12274 35	<i>B. C. Hastings's half</i>	
" <i>Net Investment</i>	- 11520 00	<i>Gain</i>	- - \$377 18
		<i>T. S. Durham's half</i>	
		<i>Gain</i>	- - 377 17
		<hr/>	
<i>Firm's Net Gain</i>	\$754 35	<i>Firm's Gain</i>	\$754 35
		<hr/> <hr/>	

<i>B. C. Hastings'</i>	.	<i>T. S. Durham's</i>	
<i>Net Investment</i>	\$5760 00	<i>Net Investment</i>	\$5760 00
" <i>Gain</i>	- - 377 18	" <i>Gain</i>	- - 377 17
		<hr/>	
<i>Present Net Capital</i>	\$6137 18	<i>Present Net Capital</i>	\$6137 17
		<hr/> <hr/>	

<i>B. C. Hastings' Present Net Capital</i>	-	-	\$6137 18
<i>T. S. Durham's " "</i>	-	-	- 6137 17
			<hr/>
<i>Firm's Present Net Capital</i>	-		\$12274 35
			<hr/> <hr/>

MEMORANDA OF HASTINGS & DURHAM'S BUSINESS TRANSACTIONS DURING THE MONTH OF MAY, TO BE RECORDED AND WORKED OUT SAME AS PRECEDING MONTH.

 Before recording the transactions of this month enter the difference between the debit and credit side of the Day Book for the last month and the gain, added together, which amount to \$12208, in the credit column, as explained, before commencing the Set.

1877.

- May 1. Bought of D. S. Elgin & Co., Bill of Lumber, amounting to \$120.50 ; Paints, Varnishes, &c., as per Bill, \$30.40.
- " 2. Sold T. K. Frontenac, 1 Rosewood Tete-a-tete, \$40 ; 1 Gothic Mahogany Bedstead, \$18.50 ; 6 Carved Mahogany Chairs, at \$4.50. *Cash sales this day, \$75.40.*
- " 3. Sold J. H. Lambton, 1 Mahogany Bureau, \$16 ; 1 Black Walnut Centre Table, \$15 ; 1 pair Ottomans, \$10 ; 1 Stuffed Back Chair, B. W., \$12.75. *Cash sales this day, \$120.*
- " 4. Sold T. M. Welland, 1 Double-leaf Secretary, \$30 ; 8 Kitchen Chairs, at 50c. Paid our Note favor of A. Ging, \$350. J. H. Lambton has returned the Bureau bought on the 3rd inst., it being too large for room, for which we give him credit, \$16. *Cash sales this day, \$160.40.*
- " 5. A. R. Simcoe paid on account Cash, \$125. Sold Edward Huron, 3 Cherry Wash-stands, at \$3 ; 2 Looking-glasses, at \$4.50. Paid for Cleaning Store-room, \$3. *Cash sales this day, \$45.25.*
- " 6. Sold Peter Grey, 1 Hat-stand, Mahogany, \$12.50. Paid Men's Wages for week, \$40.50. *Cash sales, \$75.35.*
- " 8. Bought from George Young & Co., on our Note at 3 months, Merchandise, as per Bill, \$450.50.

NOTE.—As no personal account is affected by this transaction, it is merely entered in the Bill Book.

- " " Sold R. J. Bruce, 3 Mahogany Arm Chairs, at \$4.25. *Cash sales this day, \$137.40.* Peter Cooper paid his Note of April 4th, \$20.

1867.

- May 10. Sold D. S. Elgin, 1 Hall Stand, \$5.50 ; 6 Parlor Chairs, at \$4.25 ; 1 Piano Stool, \$10. Received from A. R. Simcoe his Note at 1 month for \$50. Paid for Postage Stamps, \$1.50. *Cash sales to-day*, \$170.15.
- “ 11. Sold Peter Grey, 10 Stuffed Arm Chairs, at \$10 each ; 12 Carved R. W. Centre Tables, at \$30 each. Received his Note at 2 months for \$200. *Cash sales*, \$170.60.
- “ 12. Received from A. Simcoe Cash for his Note of April 9th, \$28.
- “ 13. Received from A. R. Simcoe, Note against John Long, dated the 4th inst., at 3 months, for \$100. Sold T. K. Frontenac, 1 complete Parlor Set, \$150. Received in part payment Wm. Wilson's Note, dated Jan. 14th. at 4 months, for \$100. Received from F. M. Welland, on account, \$25. *Cash sales this day*, \$134.20. Paid Workmen's Wages in cash, \$56.50.
- “ 15. Sold A. R. Simcoe, 4 doz. Cane-bottom Chairs, at \$14 ; 6 doz. Carved Mahogany at, \$25. Received in part payment his Note at 1 month for \$100. *Cash sales to-day*, \$196.70.
- “ 17. Sold R. J. Bruce, 1 Corner Stand, \$12.50 ; 1 French Bedstead, B. W., \$18.50. Received in part payment cash \$20. Wm. Wilson paid his Note due to-day, \$100. *Cash sales*, \$215.
- “ 19. Borrowed from Edward Huron, Cash \$5 account, \$5. Bought of A. E. Long & Co., Merchandise, as per Bill, \$425, for which we gave our Note at 1 month. *Cash sales*, \$67.40.
- “ 20. Sold D. S. Elgin & Co., Extension Dining Table, \$45, and received in part payment Cash, \$25. Paid Workmen cash, \$64.70. *Cash sales*, \$110.40.
- “ 22. Received from F. M. Welland, an Order on R. J. Bruce for \$20, which Mr. Bruce accepts, and places to our credit.

NOTE.—Credit F. M. Welland with the amount of Order, as you received it on his account, and debit Mr. Bruce.

- “ “ Received from Edward Huron, Cash, \$5. Paid for sundry expenses—Postage, \$2.25 ; Advertising, \$15.60 ; Carting and Piling Lumber, \$4. *Cash sales*, \$64.70.

1877.

- May 24. Sold F. M. Welland, 3 Patent Pivot Chairs, at \$8. Received in part payment, Note against R. Camp, dated Feb. 4th, 1877, at 4 months, for \$15. *Cash sales this day*, \$137.20.
- " 25. R. J. Bruce returned the French Bedstead, B. W., \$18.50, purchased on the 17th inst., for which we give him credit; and sold him instead, 1 Sofa Bedstead, Patent, \$40. *Cash sales*, \$20.
- " 26. Gave E. Hnron our Note at 3 months for \$17, in settlement of account. Gave . M. Welland, an Order on T. K. Frontenac for \$6.90.
- NOTE.—This transaction necessitates two entries. Charge Welland with the amount of the Order, and credit Frontenac.
- " 29. Gave D. S. Elgin our Note at 1 month for \$50. Bought of Jones, Smith & Co., Merchandise, as per Bill, \$500. Gave in payment, Peter Grey's Note of May 11th, for \$200, and our own Note at 3 months for the balance; \$300.

INVENTORY OF EFFECTS ON HAND, MAY 31ST, 1877.

Merchandise, as per Inventory	-	-	-	-	\$5100 00
Materials and Unfinished Work	-	-	-	-	3500 00
Tools and Implements	-	-	-	-	575 00
Store Fixtures	-	-	-	-	150 50

STATEMENT.—SET III.—SECOND MONTH.

PROOF OF POSTING.

The following is the result of this Set properly worked out:—

Ledger Balances, May 31st, 1877.

Personal Debtors.		Personal Creditors.	
<i>A. R. Pincoe</i> -	96 00	<i>R. J. Bruce</i> -	64 50
<i>Peter Grey</i> -	272 50	<i>D. S. Elgin & Co.</i> -	39 90
<i>T. H. Frontenac</i> -	158 60	<i>J. H. Landon</i> -	47 25
<i>T. M. Welland</i> -	16 00		
<i>Total Debits</i> -	543 10	<i>Total Personal Credits</i> -	151 65
<i>Excess from Day Book and Gain last month</i> -	11882 90	<i>Partners' Balances.</i>	
		<i>B. C. Hastings</i> -	6137 18
		<i>T. C. Durham's</i> -	6137 17
	12426 00		12426 00

Resources or Assets.		Liabilities.	
Personal Acc'ts Receivable, as per Ledger	543 10	Personal Acc't's Payable, as per Ledger	151 65
Cash on hand, as per C. B.	777 4 60	Notes outstanding, as per B. B.	1792 50
Merchandise, as per Inventory	5100 00	Total Liabilities	1944 15
Materials and Unfinished Work	3500 00	B. C. Hastings's Net Investment	\$6137.18
Tools and Implements	575 00	" " Gain	2419.85
Store Pictures	150 50	" " Worth	-
Notes on hand as per B. B.	1445 00	J. S. Durham's Net Investment	\$6137.17
		" " Gain	2419.85
		" " Worth	-
Total Resources	19058 20	Proof	20
			19058 20
Total Resources	\$19058.20	Firm's Net Worth	- \$17114.05
" Liabilities	1944.15	" " Investment	- 12274.35
Difference, or Firm's Net Worth	\$17114.05	Difference, or Amount gained	- \$4839.70

B. C. Hastings's half gain - - - \$2419.85
 J. S. Durham's " - - - 2419.85

BOOK-KEEPING.

QUESTIONS FOR REVIEW.

What additional books are used in this Set? How may a proof of correctness be obtained? How often are books closed in most business houses? What is the difference between the Day Book of this Set and that of Set II? What advantage is there in placing debits in one column and credits in another? Does a check mark show that an entry has been correctly posted? What do the Day Book and Cash Book give a complete history of? What is the Cash Book a check against? What is the left column used for, and what the right? What does the difference between the footings of the two sides show? What exists if the difference does not agree with the cash on hand? How often is the Cash Book balanced in this Set? What is the use of the Bill Book? What advantage is it to know when notes mature? How are invoices entered or kept? What does the Inventory Book contain? How and when should names be entered in the Index? How are the books of this Set opened? What advantage is gained by entering the transactions in all the books for each day before taking any entry of the succeeding day? What accounts are first opened in the Ledger? How is the proof of posting obtained? What is done immediately after posting? What should be done before commencing the second month, in order to make the excess of credit in the Day Book equal to that of the Ledger?

The following questions to be answered from the Ledger and Statements :—

What persons owe the Firm at the end of the first month, and how much? Whom do the Firm owe, and how much? What is the difference between the total debit and credit balances of the Ledger? Give a list of the resources of the Firm. Of what do the liabilities consist? What is the net capital, and how found? How much did the Firm invest? What is the Firm's net gain, and how found? What is each partner's net capital at closing? How found? What is placed to the credit of each partner before closing his account? What is the difference between the debit and credit sides of the Ledger at the end of the second month? Of what do the assets and liabilities consist? What is the net capital of the Firm? What is the Firm's net gain? What is each partner's net capital at the close of this month?

SINGLE ENTRY NOT A PERFECT SYSTEM OF BUSINESS RECORD.

The pupil will do well to read again the introductory chapters. From the general view there given of the information which a set of accounts should furnish, he will be able to form an opinion as to how far Single Entry accomplishes it. He will remember that a complete set of accounts should both define the present Financial State of the Business, by showing the Assets and Liabilities, and also tell us how 'his condition has been brought about, by showing

the *Original Capital*, and the various subsequent Gains and Losses.

If he will open to the example of connected accounts (pages 19 to 29), he will see that Single Entry, so far as the Ledger is concerned, does not meet even the *first* requirement. For (leaving out of consideration the proprietor's Capital Account) it shows only the debts owing to us and by us on *personal account*; that is, debts owing to us for which we have not received others' notes, and debts owing by us for which we have not given our notes. This, however, is compensated for in Set III., by introducing the Cash Book and Bill Book; so that, taking them in connection with the Single Entry Ledger, we have the material for finding all the Assets and Liabilities, except the asset of unsold merchandise, which, in most cases, will have to be found in either system by actual taking of stock.

But in reference to the *second* requirement, the only element he has is the *Original Capital*, as shown in the proprietor's Capital Account; he has nothing to show how much has been gained or lost on sales, and what incidental expenses have been incurred. If he had also a statement of the *cost* of the goods purchased and the *proceeds* from sales, and one for the expenses, he would have all the data necessary for meeting the *second* requirement. He would, in fact, then have all the data which Double Entry supplies, although not contained between the two backs of the same book—the Ledger. His Cash Book corresponds to his Cash Account in Ledger; his Bill Book to his Bills Receivable and Bills Payable accounts; his statement of the cost and proceeds of merchandise to Merchandise Account; and his statement of incidental expenses to Expense Account.

He will have no difficulty in seeing that if he has the means of ascertaining the present state of affairs by two methods so nearly independent of each other as these are, he possesses strong evidence of the accuracy of his books. Nor will he be slow to perceive the advantage arising from being able to compare his gross profits with his expenses, so that, if need be, he may either increase the former, or curtail the latter. Now, Double Entry does this in so systematic a manner, and, under proper arrangements, with so little labor additional to that required in Set III., that we may well wonder that any business man should begrudge that little extra labor, in view of the advantages he will thereby secure.

We are now about to introduce the pupil to the more perfect system of Book-keeping by Double Entry. We trust he will still continue to keep the *end he is aiming at* in view. If he does so, and pursues his work in a philosophic spirit, we have no doubt he will be able to endorse the words of Jackson, an old author of a very excellent work on this subject:—"It is a science whose principles are so simple and solid; its conclusions so natural, evident and certain; and the symmetry of its several parts so complete and harmonious, that, the very *speculation* is no less *pleasing* than the practice is *profitable*."

CHAPTER VII.

BUSINESS FORMS.

AN acquaintance with the forms of business papers in general use is indispensable to every one who would master the Science of Accounts. Not only should their nature and use be fully understood, but the ability to make them out readily and correctly should be acquired. For this reason the pupil should study and copy the following Forms, which are among those most used, until he can write them out readily without referring to the book.

RECEIPTS.

A Receipt is an acknowledgment in writing of having received a certain sum of money, or other valuable consideration.

When a payment has been made, a receipt should be taken as proof of the payment. It may not in all cases be necessary, but when important interests are involved, nothing should be left to uncertainty, if it can so easily be avoided. A Receipt often saves misunderstandings and loss of friends, as well as loss of money. Receipts should be carefully preserved, as many instances have occurred in which claims have been presented after they were paid. When not written in a book specially prepared for the purpose, they should be kept in a place of security, so that they may be readily produced if needed.

BOOK-KEEPING.

RECEIPT FOR PAYMENT ON ACCOUNT.

Toronto, Ont., Jan. 1st, 1877.
Received from W. H. Yourex Fifty Dollars on account.
\$50. *E. SCARLETT.*

RECEIPT IN FULL OF ACCOUNT.

Belleville, Jan. 1st, 1877.
Received from W. R. Ross Seventy-five Dollars in full of account
to date.
\$75. *CHAS. ADIN.*

RECEIPT IN FULL OF ALL DEMANDS.

Napanee, Jan. 1st, 1877.
Received from Henry Bros. One Hundred and Fifty Dollars in full
of all demands.
\$150. *J. A. FRASER.*

RECEIPT FOR A PARTICULAR BILL.

Kingston, Dec. 1st, 1876.
Received from Beatty & Wallbridge Five Hundred Dollars, in
payment for a bill of groceries of this date.
J. CARRUTHERS.

RECEIPT FOR BORROWED MONEY (OR BORROWED MONEY DUE BILL).

Pictou, Jan. 1st, 1877.
Borrowed and received from John S. Miller Four Hundred and
Fifty Dollars, which I promise to pay on demand, with interest.
\$450. *B. BORROW.*

RECEIPT FOR SERVICES.

Hamilton, Dec. 1st, 1876.
Received from Geo. Wallbridge Forty-seven Dollars, in full for
services to date.
\$47. *O. PAYMAN.*

RECEIPT FOR A NOTE.

London, Dec. 4th, 1876.
Received from J. B. Ashley his note of this date, at four months,
for Five Hundred Dollars, in full of account rendered to 1st inst.
\$500. *G. C. HOLTON & CO*

BOOK-KEEPING.

RECEIPT FOR RENT.

Montreal, Dec. 1st, 1876.

Received from P. C. West & Co., One Hundred and Twenty Dollars, in full for one quarter's rent of store No. 96 McGill Street; due 20th ult.

\$120.

E. HARRISON.

RECEIPT FOR INTEREST DUE ON MORTGAGE.

Toronto, Dec. 5th, 1876.

Received from Robert Smith Twenty-nine $\frac{50}{100}$ Dollars, in full for six months' interest due this day, on his mortgage to me, bearing date Dec. 6th, 1873, for Five Hundred and Ninety Dollars.

\$29 $\frac{50}{100}$.

S. G. BEATTY.

RECEIPT FOR PAYMENT BY THE HAND OF A THIRD PARTY.

Halifax, Jan. 1st, 1877.

Received from John Jones, by the hand of R. Howe, Fifty Dollars, in full of his account.

WM. R. DEAN.

INDORSEMENT OF A PARTIAL PAYMENT ON A NOTE.

Bowmanville, Jan. 1st, 1877.

Received on account of the within note, Forty-five Dollars.

\$45.

J. S. MILLER.

AGENT'S RECEIPT.

Brantford, Sept. 1st, 1876.

Received from M. L. Perkins, Two Hundred Dollars, to apply on his account with C. P. Stanwood.

\$200.

A. L. HOWARD, Agent.

BILLS AND INVOICES.

A Bill of Goods is a written description of the quantity and price of goods sold, with the time or date of the transaction, and the names of the purchaser and seller.

An Invoice is a full account of merchandise, in which the marks, numbers, contents, and value of each package, together with all charges, are described.

When anything is purchased of another, or is to be charged in account, it is well to take a Bill for it. The Bill will be a reminder to make the proper entry in the books concerning it, and will also serve as a voucher for items, prices, &c. Even when cash is paid, the Bill is frequently needed for reference.

Invoices are usually pasted in a book, or neatly folded and marked on the back with the name of the person from whom bought, the date and the amount, and then put up in monthly packages for safe keeping.

BOOK-KEEPING.

1. BILL NOT RECEIPTED.

TORONTO, January 1st, 1877.

Mr. CHARLES D. PUTNAM,

Bought of WM. L. BROWN & Co.

	5 yds. Black Silk	at \$2 00	\$10 00
	4 " " Broadcloth	" 4 00	16 00
20	" Factory Cotton	" 10	2 00
15	" Canton Flannel	" 25	3 75
			<hr/>
			\$31 75

2. BILL RECEIPTED.

CORNWALL, Nov. 1st, 1876.

Mr. W. A. ROBLIN,

To CONGER BROS.

DR.

	To 10 yds. Cambric	at \$0 15	\$1 50
	" 20 " Gingham	" 0 30	6 00
	" 5 " Broadcloth	" 4 00	20 00
	" 2 doz. Spools Thread	" 0 50	1 00
			<hr/>
			\$28 50

Received payment,

CONGER BROS.

Should the above Bill be receipted by a clerk, his own name should be signed under that of the firm, with the word "per" placed before it.

3. ITEMS OF AN ACCOUNT.

Mr. J. A. MOORE,

To ROBERTSON & HENRY.

DR.

1876.				
July	1	To 4 yds. Broadcloth	at \$5 00	\$20 00
"	10	" 3 " Can. Tweed	" 1 50	4 50
Aug.	4	" 1 Vest (Broadcloth)		5 50
				<hr/>
		CR.		\$30 00
Sep.	1	By Cash	\$20 00	
Oct.	6	" Order on A. B. Clark	5 00	25 00
				<hr/>
		Balance due		\$5 00

Settled by Note,

ROBERTSON & HENRY.

4. MONTHLY STATEMENT.

Messrs. SMITH & JONES,

TO SINCLAIR, JACK & CO.

Dr.

1876.							
Nov.	1	To	Mdse, as per Bill rendered at 3 mos.				\$100 20
"	8	"	"	"	4	"	500 00
"	28	"	"	"	30	days	400 00
							<hr/>
							\$ 1000 20

1. DOMESTIC INVOICES.

Sales A.
Folio 325.

Sold by *J. Wilson.*

MONTREAL, Oct. 28th, 1876.

Messrs. JONES & BROWN,

Belleville, Ont.

Bought of SINCLAIR, JACK & Co.,

Forwarded—G.T.R. Importers and Wholesale Dealers in Groceries.
(Terms—*Note at 4 mos.*)

15	5 Hlf. chests Tea (Y. H.), "S. J. & Co., 14"				
		78. 14. 73. 14. 74. 14. 369 75. 15. 69. 13.	299 72	\$215 28	
6 9	4 " Gunpowder, "Chinaman"	83. 15. 82. 15. 331 85. 15. 81. 15. 60	271 80	216 80	
10 13	4 Bags Coffee, Java, "A. B."	128. 4 115. 4 494 131. 4 130. 4 16	478 24	114 72	
14 15	2 " Laguyra, "C. T."	113. 4 115. 4 228 8	220 18	39 60	
	5 Boxes (10c.) Laundry Soap, 60 ea.		300 07	21 00	
	4 Doz. B. L. Brushes, $\frac{2}{2.50}$ $\frac{2}{3.00}$			11 00	
	Cartage			25	
	E. J.			\$614 37	

2. FOREIGN INVOICE.

GLASGOW, 5th Aug., 1876.

Invoice of one Package, marked and numbered as per margin, shipped as per *Hibernian S. S.* from *Glasgow*, for and on account of *Messrs. G. C. Holton & Co., Toronto, Canada.*

Bought of ARTHUR & CO.

London Warehouse, Old 'Change. } G. C. H. & Co. No. 238.
Bradford Warehouse, Grange St.) T.

						£ s. d.	£ s. d.
1	4	Pcs Check Wincey					
		56 $\frac{1}{2}$, 57 $\frac{1}{2}$, 57 $\frac{1}{2}$	228	6		5 14 0	
2	4	" " 56 $\frac{1}{2}$, 57, 58, 59	230 $\frac{1}{2}$	7 $\frac{3}{4}$		7 8 10 $\frac{1}{2}$	
3	1	" Shepherd	50 $\frac{1}{2}$	8		1 13 8	
4	2	" " 51 $\frac{1}{2}$, 54	105 $\frac{1}{2}$	9 $\frac{1}{2}$		4 3 6	
30	6	" All Wool Tartan,					
		29, 30 $\frac{3}{4}$, 40	237 $\frac{1}{2}$	13 $\frac{1}{2}$		13 7 2	
35	6	" Clan Serge,					
		31, 40, 42, 51	246	16 $\frac{3}{4}$		17 3 4 $\frac{1}{2}$	
	1	" Super "	42 $\frac{1}{4}$	16 $\frac{3}{4}$		2 19 0	
		Box and Cartage				15 6	
							£53 5 1

ORDERS.

An Order is a written request to deliver or pay goods or money on account of the person signing the request. The signature is a voucher that the signer gave the order, and that he is responsible for the payment of what is ordered. When an Order is received and accepted, an entry should be made charging the signer; and if the Order is for the benefit of a third party, it is well to mention in the entry the name of the person to whom the goods or money is delivered. The Order should be kept until settlement is made, as it is a confirmation of the charge.

ORDER FOR GOODS.

Montreal, Jan. 1st, 1877.

Messrs. Page, West & Co.

Gentlemen,—Please deliver to A. L. Cathcart, or Bearer, Fifty-seven Dollars, in goods from your store, and charge to the account of

B. C. SANDERS.

\$57.

BOOK-KEEPING.

ORDER FOR MONEY.

Toronto, Jan. 2nd, 1877.

Mr. W. J. Gage.

Please pay to A. H. Jones, or Order, One Hundred and Ten Dollars, and charge the same to my account.

\$110.

PETER COOPER.

DUE BILLS.

A Due Bill is a written acknowledgment of a debt. When it is intended that a Due Bill should be paid at a definite time in the future, the date of payment should be specified.

DUE BILL FOR MONEY.

Hamilton, Jan. 9th, 1877.

Due Samuel Clara, for value received, One Hundred Dollars.

\$100.

GEO. H. CAMP.

DUE BILL FOR GOODS.

Kingston, Jan. 3rd, 1877.

Due Sanford Farmer, Twenty Dollars in goods from our store.

\$20.

ROSS & BAIN.

PROMISSORY NOTES.

A Promissory Note is a written promise to pay unconditionally, and, at all events, a specified sum of money.

When a Note is given or received, it should be entered in the person's account with whom the transaction occurs, in the same manner as cash would be entered. The Note settles so much of the account, and may change hands many times before it becomes due, and it must be paid to the holder. Should suit be brought because not paid, it would be brought upon the note instead of upon the account.

FORMS OF NOTES.

NEGOTIABLE WITHOUT INDORSEMENT.

London, Oct. 8th, 1876.

\$100.

Three months after date I promise to pay S. G. Beatty, or Bearer, One Hundred Dollars, value received.

THOMAS WILLIAMS.

BOOK-KEEPING.

NEGOTIALE BY INDORSEMENT.

Hamilton, Oct. 28th, 1876.

\$100.

Three months after date I promise to pay S. Clare, or Order, One Hundred Dollars, value received.

THOMAS WILLIAMS.

NON-NEGOTIALE.

Toronto, Oct. 28th, 1876.

\$100.

Three months after date I promise to pay George Dean One Hundred Dollars, value received.

THOMAS WILLIAMS.

PAYABLE ON DEMAND.

Kingston, Oct. 28th, 1876.

\$100.

On demand I promise to pay Messrs. Jones & Brown, or Bearer, One Hundred Dollars, value received.

THOMAS WILLIAMS.

PAYABLE AT BANK.

Bradford, Nov. 5th, 1876.

\$100.

Three months after date I promise to pay John Smith, or Order, at the Bank of Commerce here, One Hundred Dollars, value received.

PETER J. WILSON.

PAYABLE AT BANK, WITH INTEREST.

Belleville, Oct. 28th, 1876.

\$342.42.

Three months after date we promise to pay Messrs. East & West, or Order, at the Merchants' Bank of Canada, here, Three Hundred and Forty Dollars and Forty-two Cents, with Interest at seven per cent. per annum, value received.

SMITH, JONES & CO.

BOOK-KEEPING.

JOINT NOTE.

Montreal, Jan. 1st, 1877.

\$300.

Three months after date we jointly promise to pay R. Brown, or Order, Three Hundred Dollars, value received.

E. T. HAMLY.
J. G. SHERRY.

JOINT AND SEVERAL NOTE.

Port Hope, Oct. 28th, 1876.

\$210.

Ninety days after date we jointly and severally promise to pay Geo. Wallbridge, or Order, Two Hundred and Ten Dollars, value received.

JOHN BROWN. }
WILLIAM BROWN. }

DRAFTS.

A Draft is an unconditional written Order, addressed by A. B. to C. D., directing him to pay E. F. a certain sum of money. A. B. is said to draw on C. D. in favor of E. F. A. B. is called the Drawer, C. D. the Drawee, and E. F. the Payee. A. B. may direct the money to be paid to himself, in which case he is Payee as well as Drawer.

To make it an obligation on the part of C. D. he must *accept* it, which is commonly done by writing the word "accepted" and his name across the face of it.

Drafts may be made payable at a certain time after date, a certain time after sight, *at sight*, or on demand. It is usual, and advisable, TO PRESENT FOR ACCEPTANCE all Drafts we receive, except those payable on demand. With regard to those payable at a certain time after sight, and even those payable *at sight* when days of grace are allowed, presentment for acceptance is ABSOLUTELY NECESSARY, in order to fix the date of payment, for which purpose the *date of acceptance* must also be written.

FORM OF SIGHT DRAFT.

Cobourg, Jan. 1st. 1877

\$75.

At sight, pay Henry Campion, or Order, Seventy-five Dollars and charge to account of

JAMES JOHNSON.

To A. R. HAMMER,
Whitby, Ont.

BOOK-KEEPING.

TIME DRAFT.

Toronto, Nov. 1st, 1877.

\$200.

Thirty days after date pay to the Order of W. R. Lingham,
Two Hundred Dollars, value received, and charge to the account of
S. T. VANCE.

To ISAAC EAST,
Oshawa, Ont.

TIME RECKONED AFTER SIGHT.

Hamilton, Jan. 3rd, 1877.

\$257.

Thirty days after sight pay to the Order of W. R. Lingham,
Two Hundred and Fifty-seven Dollars, value received, and charge
to the account of

S. T. VANCE.

To ISAAC EAST,
Oshawa, Ont.

QUESTIONS FOR REVIEW.

FORMS OF BUSINESS PAPERS.

What should be understood concerning the papers used in business? What ability should be acquired? What is a Receipt? Why should Receipts be preserved? Give the wording of a Receipt for payment on account. A Receipt in full of account. A Receipt in full of all demands. A Receipt for a particular bill. A Receipt for borrowed money. A Receipt in full for services. A Receipt for a note. A Receipt for rent. For interest due on a mortgage. For payment by the hand of a third party. What is a Bill of Goods? What is an Invoice? Of what use is a Bill of Goods? How are Invoices usually preserved? Write a Non-receipted Bill of Goods. A Receipted Bill. A Bill paid by Note. What is an Order? Of what is it a voucher? Give the form of an Order for Goods for another person. An Order for Money. An Order for Goods for yourself. What is a Due Bill? Write a Due Bill payable in money. A Due Bill payable in Goods. What is a Promissory Note? What should be done when a Note is given or received? In what book is a full description of Notes entered? Give the form of a Note negotiable without indorsement. A Note negotiable by indorsement. A non-negotiable Note. A Note payable on demand. Payable at bank. A Joint Note. A Joint and Several Note. What is a Draft? When are Drafts made payable? When made payable at sight, or a certain time after sight, what should be done to fix the date of payment? How is a Draft accepted? Give an example. What should also be written if the Draft is drawn payable at sight or after sight? Give the form of a Sight Draft. A Time Draft. A Draft where time is reckoned after sight.

PART II.

DOUBLE ENTRY.

DOUBLE ENTRY.

INTRODUCTION.

A COMPLETE set of accounts, as the pupil is already aware, should furnish the means of readily determining —

- I. The Present Financial Position, by showing the present Assets and Liabilities.
- II. How this position has been attained, by showing the Original Capital and the subsequent Gains and Losses.

As the result in the latter case must be the same as in the former, the problem for the pupil may be thus stated :—

“ *Given, the financial condition of a business at the beginning of a certain period, the transactions during the period, and the value of the goods remaining at the end ; it is required to record and classify these various items, so as to exhibit the financial condition at the end. First, from a statement of Assets and Liabilities at that time ; second, from a statement of the Gains and Losses, in connection with the Original Capital.* ”

He has seen that the Single Entry Ledger contains only *personal accounts*, and that, even with the aid of the Cash Book and Bill Book, it is not competent to do more than comply with the *first* requirement. It is, therefore, as a system, *imperfect*.

He has also seen that Double Entry supplies the defect of Single Entry, by keeping accounts not only with the *persons* with whom business is transacted, but also with *every form of value exchanged*, and with *every source of receipt and expenditure*. It thus shows, in addition to all that Single Entry does (even with the aids above mentioned), the various channels through which the gains and losses have been made ; thereby affording, not only presumptive evidence of the correctness of the work, but also a basis upon which to plan future enterprises. Double Entry, therefore, meets both requirements, and consequently recommends itself as a perfect system of Account Keeping.

Such a problem as the one just stated the pupil has already solved in the example of connected accounts, or Double Entry

Ledger, as we may call it, pages 22-25. One of the methods recommended for doing that exercise was—to take one transaction, make the proper entries in the two accounts affected by it, and then proceed to the next. As all the transactions were on account, a personal account was affected in each case. And he will, no doubt, remember that every time he *debited a personal account*, he *credited with an equal amount an impersonal one* (one in the name of a *thing*, not of a person) ; and similarly, every time he credited a personal account he debited an *impersonal one* with the same amount. A constant equilibrium of debits and credits was thus kept up. This, indeed, is a fundamental principle of Book-keeping by Double Entry. *For every dollar and cent placed on one side of the Ledger, there must be just as many dollars and cents placed somewhere on the other side.*

Whatever differences there may be in the working out of the following sets, the pupil will observe that they are merely peculiarities. The same general principle runs through the whole. The particular method or form in which books are kept is not essential, so long as it conforms to the principle of equal debit and credit.

BOOKS USED.

If we sell goods to Benjamin Worth, without receiving at the same time anything in return, the two Ledger accounts affected are Benjamin Worth and Merchandise, and we may, if we like, at once debit Benjamin Worth, and credit Merchandise, without previously entering the transaction in any other book. The Ledger, indeed, is not only the *principal* book, but it may be said to be the *only essentially necessary* one. If other books are used in addition, they are for *convenience* only, and are, in general, *subservient* and *contributory* to it. When the pupil finds that their use promotes the neatness, condensation and accuracy of the Ledger, he will gladly avail himself of them as they are introduced, and keeping always in mind the grand result he is aiming at, he will have little, if any, difficulty in comprehending their nature.

BOOKS USED IN SET I.

The books used in the First Set are the **Day Book, Journal and Ledger**. These are commonly called *principal* books, in relation to others, called *auxiliary* books, about which, however, the pupil need not trouble himself at present.

DAY BOOK.

This book is sometimes called *The Blotter*, and it is not an inappropriate name for some people's Day Books. It should contain a concise and comprehensive history of the merchant's business transactions ; commencing with an inventory of his effects, and the debts due him ; also of the debts due by him to others.

After this his business transactions should be recorded at the time and in the order in which they occur. Every entry should embrace the following particulars :—1st, the date ; 2nd, the person or account ; 3rd, what you have bought or sold, paid or received ; 4th, the terms of payment ; 5th, the articles, quantities, prices and amounts.

In writing this book, everything should be clearly expressed in as uniform a style as possible, and the use of ambiguous words and phrases carefully avoided.

JOURNAL.

The purpose of the Journal is to state, with regard to every Day Book entry, which accounts in the Ledger are to receive entries, on which side of the account, and for how much ; so that the posting to the Ledger may be rendered more easy, and less liable to error.

In journalizing any Day Book entry, therefore, the three questions to be decided upon are—Which accounts are affected ? On which side ? and, For what amount ? If the pupil has mastered the two chapters on Examples of Accounts, pages 12 to 30, he will have little, if any, difficulty. If he has not mastered them, he will do well to read them again very carefully.

In any given set of transactions, before applying the above questions, we must settle upon the names of the accounts we intend to open. For instance, in the First Set we are dealing

in two kinds of Wheat and two kinds of Flour. We are at liberty to include all these under the head of Merchandise; or both kinds of flour under the head of Flour, and both kinds of wheat under the head of Wheat; or to have four accounts, one for each kind of flour and one for each kind of wheat. In this Set the second course is adopted.

A little reflection will point to the accounts affected. We shall be directed to the side affected by asking—If it be a *personal* one,—“*Did he receive from us or deliver to us?*” If it be an *impersonal* one,—“*Did we receive the thing or part with it?*” With regard to those impersonal ones which show loss or gain, as Merchandise, and especially Interest and Expense, the question, “*Did the thing cost us value or produce us value?*” may indicate more clearly to some minds the side affected. The pupil will observe, however, that this is only a modified form of the previous question. For the thing which has cost us value must have been received, and that which has produced us value must have been parted with.

In the entry, January 2, “Sold James Rimmer, Wheat on account, \$150,” it is evident that the two accounts affected are *James Rimmer* and *Wheat*. As he is the *receiver*, his account must be *debited*: and as wheat has been *parted with*, Wheat account must be *credited*. This may be indicated in the Journal in several ways, for example:—

James Rimmer, Dr.	150 00	
Wheat, Cr.		150 00
Or,		
James Rimmer, Dr.	150 00	
To Wheat		150 00
Or,		
James Rimmer	150 00	
Wheat		150 00

There are several other ways of indicating in the Journal what are to be the Ledger entries, but whichever is adopted, they all mean simply that \$150 is to be entered on the debit side of James Rimmer's account, and the same amount on the credit side of Wheat account.

In the entry of the same date, “Bought of Wm. Lingham, Flour, for Cash, \$300,” the accounts affected are Flour and

Cash ; Flour on the *debit* side because it *came in*, Cash on the *credit* side because it *went out*. Wm. Lingham's account is *not affected*, because his relation to us as Dr. or Cr. is not changed by the transaction ; and, therefore, we need not make any entry in his account. We may ; but if we do, we shall have to credit him with the Flour he has delivered to us, and then debit him with the Cash he has received from us. And these two entries, being equal in amount, would have the same effect upon the account as if no entry had been made.

Two accounts at least will generally be affected in any transaction. There may be more. In the opening entry, January 1st, *four* accounts are affected—Cash, Flour and Wheat on the Dr. side, because all these *came into* the business ; and the proprietor's account on the Cr. side, because *he put them into* the business. Adopting the second mode of Journal entry, and using the term Stock to represent the proprietor, instead of using his own name, the proper Ledger entries will be thus indicated :—

Cash	Dr.	4000	50		
Flour	"	1000	00		
Wheat	"	3000	00		
	To Stock			8000	50

We have adopted, for the present, the second mode of journalizing, for a reason which will be better appreciated when we speak of the Ledger. We must, however, caution the pupil against attaching to the word "*To*," in the expression "James Rimmer, Dr. to Wheat," the meaning which, from the ordinary use of language, would naturally suggest itself. The plain, naked fact is, that James Rimmer is Dr. to *us* for Wheat. If we had this Journal entry, "*Charles Adin Dr. to Benjamin Worth*," it would simply mean that Charles Adin is Dr. in relation to *us*, and that Benjamin Worth is Cr. in relation to *us*. We have nothing to do in our books with the relation of outside parties to *one another* as Dr. or Cr., but only with the relation of *these parties to us*. Indeed, so far as these two persons are concerned, the *meaning* we would naturally attach to the expression is the *very opposite of the fact*. For, the circumstance which originated the entry (which may have been our giving to Charles Adin our order or draft upon Benjamin

Worth) would actually make *Benjamin Worth the Dr. of Charles Adin*.

The pupil cannot fail to have observed that his ability to journalize any transaction must depend entirely upon his knowing what entries should be made in the Ledger, and this depends upon his having a clear idea of the nature of the different Ledger accounts.

The name of this book, Journal, is not suggestive of its use. From "*jour*," French for *day*, it is synonymous with Day Book, and was appropriate when it was the practice in the Journal not merely to indicate the proper Ledger entries, but to add the *full details* of the transactions from the book of *original* entry, then called the Waste Book.

LEDGER.

The Ledger is the book in which the transactions, scattered through the Day Book without order as to *kind*, are arranged under distinct and appropriate heads, called *accounts*. The amount put into the business by the proprietor, or taken out by him, is *put* under HIS OWN NAME, or under the name of STOCK, or CAPITAL; every item affecting the debit or credit, on account, of any particular person towards us is *placed* under that PERSON'S NAME; all receipts and payments of cash, under the head of CASH; others' notes received and disposed of, under the head of BILLS RECEIVABLE; our notes issued and redeemed, under the head of BILLS PAYABLE; purchases and sales, under MERCHANDISE; and incidental outlay, under EXPENSE.

It has already been remarked that the proper entries might be made in the Ledger at the time of the transaction, without being entered in any other book whatever. Two inconveniences, however, would follow. The Ledger would have to contain the details of the transaction, which would make the accounts very unwieldy; and in the hurry of business it would be impossible to make the original entries in the Ledger so neatly as is desirable. By first entering the particulars of the transaction in the Day Book, we need only transfer the *amount* to the Ledger, with a *word or two* to explain the entry; and the transferring or *posting* to it can be done *at leisure*.

The original entries being made in the Day Book, they may be transferred to the Ledger without the aid of the Journal; and in modern practice, where the original entries are so made

that the purchases, sales, cash receipts and payments, are kept separate from one another, it is unnecessary. Its introduction, however, into the preliminary sets, will more deeply impress upon the mind of the pupil the *principle of equal debits and credits*; and when it is formally dispensed with he will more clearly see that *its essence is retained* in the peculiar mode of making the original entries.

NAMES AND ORDER OF THE ACCOUNTS.—The pupil need scarcely be told that the Journal contains the names of all the accounts that are to be opened in the Ledger. Although in practice it is usual to give a page to each account, we will apportion to each, only so much space as is necessary. In text-books generally no definite order is observed, but as advantage may result from attention to this matter, we will take first, *Stock*; after that, all the accounts which show an asset or a liability, beginning with the most available asset; and lastly, those showing a loss or a gain. We shall thus have the accounts of the First Set in the following order, namely:—*Stock, Cash, Bills Receivable, Bills Payable, Personal Accounts, Flour, Wheat, Expense*. The headings should be written in a clear text-hand, and the abbreviations, *Dr.* and *Cr.*, may be placed at the top of the page only.

POSTING.—Transferring an entry from any book to the Ledger is termed *posting*, the word "*post*," as a verb, meaning simply *to put, to place*. If the posting be done direct from the Day Book, it is an *intellectual operation*, because for each separate Day Book entry we have to *think* which account, and which side of it, is affected. But all the *thinking* has been done in journalizing, and the results are so registered in the Journal, that posting from it is reduced to a mere *mechanical operation*.

The first Journal entry is a plain direction that *Cash, Flour and Wheat* are to be debited respectively with the amount placed opposite to them, and that *Stock* is to be credited with the amount placed opposite to it. Thus:—

DR.		CASH.		CR.	
1877					
Jan.	1 To Stock	4000	50		

DR.		FLOUR.						CR.	
1877	Jan.	1	To Stock	3000	00				

DR.		WHEAT.						CR.	
1877	Jan.	1	To Stock	1000	00				

DR.		STOCK.						CR.	
					1877	Jan.	1	By Sun- dries	8000 50

Instead of the word "*Sundries*," we could, if we had chosen, have written "Cash, Flour and Wheat." But it is usual, when there is more than one account to name, to write "*Sundries*," meaning *several accounts*.

The narrow column to the left of the money column in the Ledger is for the Journal page. As soon as each Ledger entry is made, the page of the Ledger should also be put in the second column of the Journal. This shows that the item is posted, and also the page of the Ledger on which the account is found.

Although in the Journal entries we have named the debit account first, we are at perfect liberty to name the credit account first. We can say—

Flour Dr. to Cash,
or,
Cash Cr. by Flour.

So far as the *fact* is concerned which originated the entry, they both mean that Flour *came in* and Cash *went out*. So far as the *operation to be performed in the Ledger* is concerned, they both *direct* that Flour Account is to be debited, and Cash Account credited.

Reading the Ledger entries by giving the name of the account first with Dr. or Cr., according as the entry is a debit or credit one, the pupil will observe that every debit entry *will read like the Journal*, word for word, and every credit entry *will read as the Journal would read* if written with the credit account first.

SET I.—DOUBLE ENTRY.

THE following Set is worked out in full, in order to show the pupil the proper form of carrying the transactions through the different books, and should be thoroughly understood in every particular before proceeding further.

The transactions are first taken from the "Record," (which is supposed to be a memorandum of the merchant's business transactions in the date and order of their occurrence,) and arranged properly in the Day Book, after which they are journalized and posted.

A faithful adherence to the foregoing instructions and illustrations will enable the pupil to record, readily and correctly, the following exercise, which should be first written on Skeleton paper prepared for that purpose, or on blank paper ruled up by the student himself.

SET I.—PRODUCE BUSINESS.

It is expected that the student will not merely copy the exercises in connection with this Set, but that he will work them out for himself according to the forms given.

RECORD OF TRANSACTIONS.

TORONTO, January 1, 1877.

Commenced business, investing as follows:—		Cash -	\$4000	50
	500 bbls. Extra Flour, at \$6	-	-	3000 00
	800 bush. Fall Wheat, at \$1.25	-	-	1000 00
Jan. 2.	Bought of W. Lingham, for cash, 50 bbls.			
	Superfine Flour, at \$6	-	-	300 00
" "	Sold James Rimmer, on acc't, 100 bush. Fall			
	Wheat, at \$1.50	-	-	150 00
" "	Bought of H. Corby, on my note, 200 bush.			
	Spring Wheat, at \$1	-	-	200 00
" 3.	Sold Robert Thompson, on acc't, 400 bush.			
	Fall Wheat, at \$1.50	-	-	600 00
" "	Bought of W. Lingham, on my note, 100			
	bbls. Superfine Flour, at \$6.50	-	-	650 00
" "	Bought of James Wilson, for cash, 200 bush.			
	Fall Wheat, at \$1.50	-	-	300 00
" 4.	Sold John Smith, for his note, 100 bush.			
	Fall Wheat, at \$1.75	-	-	175 00

BOOK-KEEPING.

1877.

Jan. 4.	Received of James Rimmer, on acc't, Cash -	\$100 00
" 5.	Bought for cash, 400 bush. Fall Wheat, at \$1.40 - - - - -	560 00
" "	Sold James Johnson, for note, 100 bush. Spring Wheat, at \$1.20 - - - - -	120 00
" 6.	Bought of H. Corby, on acc't, 500 bbls. Extra Flour, at \$6 - - - - -	3000 00
" "	Sold James Miller, on acc't, 200 bbls. Extra Flour, at \$6.50 - - - - -	1300 00
" "	Sold for cash, 100 bush. Sp'g Wheat, at \$1.25 - - - - -	125 00
" 8.	Sold James Rimmer, on acc't, 200 bush. Fall Wheat, at \$1 40 - - - - -	280 00
" "	Received of James Miller, his note in full of acc't - - - - -	1300 00
" 9.	Paid cash for sundry items of expense - - - - -	25 50
" "	Sold Robert Thompson, on acc't, 250 bush. Fall Wheat, at \$1.50 - - - - -	275 00
" 10.	Bought of W. Lingham, on acc't, 450 bush. Spring Wheat, at \$1 - - - - -	450 00
" "	Paid H. Corby, cash on acc't - - - - -	1000 00
" 11.	Sold Robert Brown, 200 bush. Spring Wheat, at \$1.25 - - - - -	250 00
	100 bush. Fall Wheat, at \$1.30 - - - - -	130 00
	Received in payment, his note for \$150, cash for balance, \$230.	
" 12.	Bought of W. Lingham, on my note, 50 bbls. Extra Flour, at \$6.30 - - - - -	315 00
" "	Paid cash for my note of the 3rd inst., favor of W. Lingham - - - - -	650 00
" 13.	Sold J. Rimmer, on acc't, 200 bbls. Extra Flour, at \$7 - - - - -	1400 00
" 15.	Paid cash in full for my note, favor H. Corby - - - - -	200 00
" "	Received of R. Thompson, cash in full of acc't - - - - -	975 00
" "	Received cash, in full for J. Smith's note of the 4th inst. - - - - -	175 00
" 16.	Gave H. Corby my note on acc't - - - - -	1000 00
" 17.	Bought of W. Lingham, on acc't, 550 bush. Spring Wheat, at \$1 - - - - -	550 00
" "	Sold J. Rimmer, on acc't, 150 bbls. Superfine Flour, at \$8 - - - - -	1200 00
" "	Received cash, in full for J. Johnson's note of the 5th inst. - - - - -	120 00
" 18.	Paid sundry expenses in cash - - - - -	140 00

BOOK-KEEPING.

INVENTORY OF GOODS REMAINING UNSOLD.

600 bbls. Extra Flour, at \$6.00	-	-	\$3600 00	
50 " " 6.30	-	-	315 00	
				3915 00
200 bush. Fall Wheat, 1.25	-	-	250 00	
50 " " 1.40	-	-	70 00	
800 " Spring Wheat, 1.00	.	-	800 00	
				1120 00

SPECIMEN DAY BOOK.

TO THE PUPIL.

After becoming familiar with the preceding instructions, you may write up the Day Book according to the following form, then lay aside the printed book, and on a sheet of waste paper journalize the entries of the Day Book, after which compare with the printed Journal to see if you have journalized correctly; then post to the Ledger as directed in explanations on posting, independent of the printed book, and make out your Trial Balance and Statements.

The check mark (✓) is to show that the entry to which it is placed is journalized. It should be made *immediately after* journalizing—*never before*.

TORONTO, January 1st, 1877.

(1)

		* — this day commences the Produce Business at No. 128 Front Street, renting store from F. Johnson, and investing as follows:—			
		Cash		4000 50	
† Extra ✓	500 bbls. Flour	\$6 00	3000 00		
Fall.	800 bush. Wheat	1 25	1000 00	8000 50	
		Amount forward			8000 50

* Pupil to use his own name.

† The margin to the left is for the description or mark of the articles, in order that they may be readily referred to.

BOOK-KEEPING.

(2)

TORONTO, January 2, 1877.

		Carried over	8000 50
Super.	✓	Bought of W. Lingham for cash, 50 bbls. Flour \$6 00	300 00
		“	
Fall.	✓	Sold James Rimmer on acc't, 100 bush. Wheat \$1 50	150 00
		“	
Spring.	✓	Bought of H. Corby on my note, 200 bush. Wheat \$1 00	200 00
		3	
Fall.	✓	Sold Robert Thompson on acc't, 400 bush. Wheat \$1 50	600 00
		“	
Super.	✓	Bought of W. Lingham, on my note 100 bbls. Flour \$6 50	650 00
		“	
Fall.	✓	Bought of James Wilson for cash, 200 bush. Wheat \$1 50	300 00
		4	
Fall.	✓	Sold John Smith for his note, 100 bush. Wheat \$1 75	175 00
		“	
	✓	Received of Jas. Rimmer on acc't, Cash	100 00
		5	
Fall.	✓	Bought for cash, 400 bush. Wheat \$1 40	560 00
		“	
Spring.	✓	Sold James Johnson for his note, 100 bush. Wheat \$1 20	120 00
		6	
Extra.	✓	Bought of H. Corby on acc't, 500 bbls. Flour \$6 00	3000 00
		“	
Extra.	✓	Sold James Miller on acc't, 200 bbls. Flour \$6 50	1300 00
		Amount forward	15455 50

BOOK-KEEPING.

TORONTO, January 6, 1877.

(3)

		Carried over			15455 50
Spring.	✓	Sold for cash, 100 bush. Wheat	\$1 25		125 00
		"			
Fall.	✓	Sold James Rimmer on acc't, 200 bush. Wheat	\$1 40		280 00
		"			
	✓	Received of James Miller his note in full of account			1300 00
		9			
	✓	Paid cash for sundry expenses			25 50
		"			
Fall.	✓	Sold Robert Thompson on acc't, 250 bush. Wheat	\$1 50		375 00
		10			
Spring.	✓	Bought of W. Lingham on acc't, 450 bush. Wheat	\$1 00		450 00
		"			
	✓	Paid H. Corby cash on acc't			1000 00
		11			
Spring.	✓	Sold Robert Brown 200 bush. Wheat	\$1 25	250 00	
Fall.		100 " "	1 30	130 00	380 00
		Rec'd in payment his note, \$150			
		Cash for the balance, 230			
		12			
		Bought of W. Lingham, on my note,			
Extra.	✓	50 bbls. Flour	\$6 30		315 00
		"			
	✓	Paid cash for my note of 3rd inst.			650 00
		13			
		Sold J. Rimmer on acc't,			
Extra.	✓	200 bbls. Flour	\$7 00		1400 00
		15			
	✓	Paid cash in full for my note favor H. Corby			200 00
		Amount forward			21956 00

(4)

TORONTO, January 15, 1877.

		Carried over		21956 00
	✓	Received of R. Thompson, cash in full of acc't		975 00
		— " —		
	✓	Received cash in full for John Smith's note of the 4th inst.		175 00
		— 16 —		
	✓	Gave H. Corby my note on acc't		1000 00
		— " —		
Spring.	✓	Bought of W. Lingham on acc't, 550 bush. Wheat \$1 00		550 00
		— " —		
Super.	✓	Sold James Rimmer on acc't, 150 bbls. Flour \$8 00		1200 00
		— " —		
	✓	Received cash in full for J. John- son's note of the 5th inst.		120 00
		— 18 —		
	✓	Paid cash for sundry expenses		140 00
		— " —		
		*Inventory of goods unsold :		26116 00
		600 bbls. Extra Flour, at		
		\$6 00 - - - \$3600		
		50 bbls. Extra Flour, at		
		\$6 30 - - - 315		
		—	3915 00	
		200 bush. Fall Wheat, at		
		\$1 25 - - - 250		
		50 bush. Fall Wheat, at		
		\$1 40 - - - 70		
		800 bush. Spring Wheat,		
		at \$1 00 - - - 800	1120 00	
		—		

* Although it is common to value the goods on hand at their *cost* price, taking off, if necessary, a per centage for bad stock or depreciation in value, it would be more correct to reckon them at what they can be bought for at the time of valuation.

SPECIMEN JOURNAL.

Some business men require their Journal to embody brief explanations of their transactions ; but we do not introduce this plan now, because, in his incipient steps, everything that takes the learner's attention off the LEDGER TITLES has a tendency to perplex and embarrass him. Familiarity with the following form will prepare the pupil for using any other without difficulty.

The numbers in the narrow column to the left of the names of the accounts are the pages of the Ledger to which the various items are posted. Each Ledger page is inserted *as soon* as the item is posted—*not before*.

TORONTO, January 1, 1877.

(1)

1	Cash Dr.	4000	50	
2	Flour "	3000	00	
3	Wheat "	1000	00	
1	To Stock			8000 50
	2			
2	Flour Dr.	300	00	
1	To Cash			300 00
	"			
2	James Rimmer Dr.	150	00	
3	To Wheat			150 00
	"			
3	Wheat Dr.	200	00	
1	To Bills Payable			200 00
	3			
2	Robert Thompson Dr.	600	00	
3	To Wheat			600 00
	"			
2	Flour Dr.	650	00	
1	To Bills Payable			650 00
	"			
3	Wheat Dr.	300	00	
1	To Cash			300 00
	Amounts forward	10200	50	10200 50

(2)

TORONTO, January 4, 1877.

	Carried over	10200 50	10200 50
1	Bills Receivable Dr.	175 00	
3	To Wheat		175 00
	— " —		
1	Cash Dr.	100 00	
2	To James Rimmer		100 00
	— 5 —		
3	Wheat Dr.	560 00	
1	To Cash		560 00
	— " —		
1	Bill Receivable Dr.	120 00	
3	To Wheat		120 00
	— 6 —		
2	Flour Dr.	3000 00	
2	To H. Corby		3000 00
	— " —		
2	James Miller Dr.	1300 00	
2	To Flour		1300 00
	— " —		
1	Cash Dr.	125 00	
3	To Wheat		125 00
	— 8 —		
2	James Rimmer Dr.	280 00	
3	To Wheat		280 00
	— " —		
1	Bills Receivable Dr.	1300 00	
2	To James Miller		1300 00
	— 9 —		
3	Expense Dr.	25 50	
1	To Cash		25 50
	— " —		
2	Robert Thompson Dr.	375 00	
3	To Wheat		375 00
	— 10 —		
3	Wheat Dr.	450 00	
2	To W. Lingham		450 00
	Amounts forward	18011 00	18011 00

BOOK-KEEPING.

TORONTO, January 10, 1877.

(3)

	Carried over	18011 00	18011 00
2	H. Corby Dr.	1000 00	
1	To Cash		1000 00
	11		
1	Bills Receivable Dr.	150 00	
1	Cash " "	230 00	
3	To Wheat		380 00
	12		
2	Flour Dr.	315 00	
1	To Bills Payable		315 00
	"		
1	Bills Payable Dr.	650 00	
1	To Cash		650 00
	13		
2	James Rimmer Dr.	1400 00	
2	To Flour		1400 00
	15		
1	Bills Payable Dr.	200 00	
1	To Cash		200 00
	"		
1	Cash Dr.	1150 00	
2	To R. Thompson		975 00
1	" Bills Receivable		175 00
	16		
2	H. Corby Dr.	1000 00	
1	To Bills Payable		1000 00
	17		
3	Wheat Dr.	550 00	
2	To W. Lingham		550 00
	"		
2	James Rimmer Dr.	1200 00	
2	To Flour		1200 00
	"		
1	Cash Dr.	120 00	
1	To Bills Receivable		120 00
	18		
3	Expense Dr.	140 00	
1	To Cash		140 00
		26116 00	26116 00

INDEX TO THE LEDGER.

A.	Page.	K.	Page.
B.		L.	
Bills Receivable.	1	Lingham, W.	2
Bills Payable.	1	Loss and Gain.	
Balance.			
C.		M.	
Cash.	1		
Corby, H.	2		
D.		N.	
E.		O.	
Expense.	3		
F.		P.	
Flour.	2		
G.		Q.	
H.		R.	
		Rimmer, James.	2
I.		S. T.	
		Stock.	1
J.		U. V. W.	
		Wheat.	3

CAUTION.—Always Index an account before entering it in the Ledger. Without this precaution it may be forgotten and a second account opened with the same individual; and unimportant as this may appear, it often leads to very troublesome mistakes.

SPECIMEN LEDGER.

BOOK-KEEPING.

(2)

DR.	(My Account against him.)	JAMES RIMMER.	(His Account against me.)	CR.
1877			1877	
Jan. 2	To Wheat	1 150 00	Jan. 4	By Cash 2 100 00
" 8	" "	2 280 00		
" 13	" Flour	3 1400 00		
" 17	" "	3 1200 00		

W. LINGHAM. (His Account against me.)

			Jan. 10	By Wheat	2 450 00
			" 17	" "	3 550 00

(My Account against him.) ROBERT THOMPSON. (His Account against me.)

Jan. 3	To Wheat	1 600 00	Jan. 15	By Cash	3 975 00
" 9	" "	2 375 00			

(My Account against him.) H. CORBY. (His Account against me.)

Jan. 10	To Cash	3 1000 00	Jan. 6	By Flour	2 3000 00
" 16	" Bills Pay.	3 1000 00			

(My Account against him.) JAMES MILLER. (His Account against me.)

Jan. 6	To Flour	2 1300 00	Jan. 8	By Bills Rec.	2 1300 00
--------	----------	-----------	--------	---------------	-----------

(Cost.) FLOUR. (Proceeds.)

Jan. 1	To Stock	1 3000 00	Jan. 6	By J. Miller	2 1300 00
" 2	" Cash	1 300 00	" 13	" J. Rimmer	3 1400 00
" 3	" Bills Pay.	1 650 00	" 17	" "	3 1200 00
" 6	" H. Corby	2 3000 00			
" 12	" Bills Pay.	3 315 00			

BOOK-KEEPING.

								(3)
DR.		(Cost.)	WHEAT.	(Proceeds.)		CR.		
1877				1877				
Jan.	1	To Stock	1	1000 00	Jan.	2	By J. Rimmer	1
"	2	" Bills Pay.	1	200 00	"	3	" R. Thomp-	1
"	3	" Cash	1	300 00	"		son	1
"	5	" "	2	560 00	"	4	" Bills Rec.	2
"	10	" W. Lingham	2	450 00	"	5	" "	2
"	17	" "	3	550 00	"	6	" Cash	2
					"	8	" J. Rimmer	2
					"	9	" R. Thomp-	2
							son	2
					"	11	" Sundries	3
								380 00
		(Outlay for Expense.)	EXPENSE.					

Jan.	18	To Cash	3	25 50				
"	"	" "	3	140 00				

TEST OF THE LEDGER.

The first thing to be done, after the transactions of a set have been posted, is to test the correctness of your work, by comparing the amounts of the two sides of the Ledger, and seeing that the sum of the Dr. side of all the accounts equals the sum of the Cr. side.

This is accomplished by making out a

TRIAL BALANCE.

L.F.		DR.		CR.
1	Stock - - - - -			8000 50
1	Cash - - - - -	5725 50		3175 50
1	Bills Receivable - - - - -	1745 00		295 00
1	Bills Payable - - - - -	850 00		2165 00
2	James Rimmer - - - - -	3030 00		100 00
2	W. Lingham - - - - -			1000 00
2	Robert Thompson - - - - -	975 00		975 00
2	H. Corby - - - - -	2000 00		3000 00
2	James Miller - - - - -	1300 00		1300 00
2	Flour - - - - -	7265 00		3900 00
3	Wheat - - - - -	3060 00		2205 00
3	Expense - - - - -	165 50		
		26116 00		26116 00

An explanation of the process of taking off a Trial Balance is given on the next page.

TRIAL BALANCE.

A Trial Balance is taken to ascertain if the Debits and Credits on the Ledger are equal, or balance.

As soon as you finish posting all the transactions to the Ledger, according to the principle of equal debits and credits, you take off a Trial Balance. This is done by first footing the items of the different accounts, placing the amounts in light pencil marks, which should be erased after the completion of the work. The totals of the accounts are carried to the Trial Balance, as per model form, leaving out such accounts as close themselves. By adding to the footings of the Trial Balance given, the footings of accounts that close themselves, you will find that they exactly correspond with those of the Journal, which would not be the case if any of the Journal entries were not posted ; and as the footings of the Journal columns also tally with those of the Day Book, it is almost conclusive that all the original entries have found their way into the Ledger. There will remain two chances of error in the accounts, viz.: from improper Journal entries, or from posting to the wrong accounts in the Ledger.

It will be observed from the foregoing remarks, that the Trial Balance is not always a strict proof of the correctness of the work, though it is so nearly a test, that under ordinary circumstances, it may be considered satisfactory.

It is supposed that you have gone through the process of journalizing and posting the preceding set, and that your Ledger accounts present an equilibrium of debits and credits. A Trial Balance may be taken with the difference columns only, or with the amount columns only. The latter is very frequently used in business, a form of which is given on page 122. In a real business, a Trial Balance may be taken monthly, and should be taken as often as once in three months, even though the books are closed but once a year. The following is another form of Trial Balance, from the same Ledger.

TRIAL BALANCE.

Dr. Bal.	Dr. Footings.	L.F.		Cr. Footings.	Cr. Bal.
		1	Stock - - -	8000 50	8000 50
2550 00	5725 50	1	Cash - - -	3175 50	
1450 00	1745 00	1	Bills Receivable -	295 00	
	850 00	1	Bills Payable -	2165 00	1315 00
2930 00	3030 00	2	James Rimmer -	100 00	
		2	W. Lingham -	1000 00	1000 00
	2000 00	2	H. Corby -	3000 00	1000 00
3365 00	7265 00	2	Flour - - -	3900 00	
855 00	3060 00	3	Wheat - - -	2205 00	
165 50	165 50	3	Expense - - -		
11315 50	23841 00			23841 00	11315 50

NOTE.-The Ledger from which the foregoing Trial Balance was taken does not contain all the results of the business. Hence, in getting at the data from which to ascertain the net worth, or the net gain or loss, it will be necessary to go beyond the Ledger, and estimate the value of unsold merchandise or other similar property.

In each of the statements which follow, an inventory of unsold property is supposed to have been taken, the results being given.

CLASSIFIED STATEMENTS.

The preceding "Statement, or Trial Balance," is supposed to show the *footings* and *balances* of the Ledger accounts growing out of the transactions indicated in Set I.; and, as far as the open Ledger is concerned, affords as completely as possible the exact condition of the business *at the time* the Statement purports to have been rendered. The form of this Statement, however, is not sufficiently compact, nor the specific *results* of the business so distinctly given as to present at a glance the *general* result which constitutes the objective point of all business record. To accomplish this, it becomes necessary to rearrange or *classify* the separate results as shown on the Ledger.

With regard to those accounts which show only the *cost* and *proceeds from sales* of property having a *variable value*, it is plain that the *real value* of such property remaining on hand cannot

be ascertained from the accounts, but must be found by actual enumeration and valuation; a process known in business as "taking account of stock," or "taking an inventory." The value of property which does not vary, viz., Cash, Notes, and Personal indebtedness, is readily ascertained from the accounts themselves.

In classifying accounts two grand results are had in view; first, the *Net Worth* or *Insolvency* of the business, that is, its *Financial* condition; second, the *Net Gain* or *Loss* during a specified period. These are shown in the following statements, the material for which has already been taken from the Ledger, and put in the form of a Trial Balance (page 124), except the value of unsold property, which is taken from the Inventory at the end of the Day Book.

1. STATEMENT OF RESOURCES AND LIABILITIES.

Analysis of Accounts that show Resources and Liabilities, for the purpose of ascertaining the Net Worth or Insolvency of the Business.

	Resources.	Liabilities.
1. FROM INVENTORIES.		
FLOUR, unsold, as per Inventory - - -	3915 00	
WHEAT, " " " - - -	1120 00	
2. FROM LEDGER ACCOUNTS.		
CASH, Dr. Amount received - - \$5725 50		
" Cr. " paid out - - 3175 50		
" Difference, Amount on hand - -	2550 00	
BILLS REC'BLE Dr. Other people's notes received \$1745 00		
" " Cr. Other people's notes disposed of 295 00		
" " Difference, others' notes on hand	1450 00	
BILLS PAYABLE Cr. My notes issued \$2165 00		
" " Dr. " redeemed 850 00		
" " Difference, my outstanding notes		1315 00

BOOK-KEEPING.

	Resources.	Liabilities.
Jas. Rimmer, Dr. My Acct. against him - - \$3030 00		
" " Cr. His Acct. against me - - 100 00		
" " Difference, he owes me - -	2930 00	
W. Lingham, Cr. His Acct. against me—I owe him - - - -		1000 00
H. Corby, Cr. His Acct. against me \$3000 00		
" Dr. My " him 2000 00		
" Difference, I owe him - - -		1000 00
<i>Present Net Worth</i> - - - -		8650 00
	11965 00	11965 00

2. STATEMENT OF LOSSES AND GAINS.

For the purpose of ascertaining the Net Gain or Loss.

	Losses.	Gains.
FLOUR, unsold, per Inventory - \$3915 00		
" Cr. or proceeds from sales - 3900 00		
" Total proceeds - - - 7815 00		
" Dr. or cost - - - 7265 00		
" Difference or gain - - -		550 00
WHEAT, unsold, per Inventory - 1120 00		
" Cr. or proceeds from sales- 2205 00		
" Total proceeds - - - 3325 00		
" Dr. or cost - - - 3060 00		
" Difference or gain - - -		265 00
EXPENSE, Dr. or outlay, a loss - - -	165 50	
<i>Difference between Gains and Losses, or Net Gain</i>	649 50	
	815 00	815 00
Proprietor's Net Investment - - \$3000 50		
" Net Gain - - - 649 50		
" <i>Present Net Worth</i> - - \$3650 00		

The following arrangement also is recommended to the pupil for practice, as it approaches very nearly to the form observed in closing the Ledger accounts, and will, therefore, serve to prepare him for that work.

3. ASSETS AND LIABILITIES.

Flour on hand	3915 00	Bills Payable (outstanding) ..	1215 00
Wheat "	1120 00	I owe W. Lingham	1000 00
Cash "	2550 00	" H. Corby	1600 00
Bills Rec. "	1450 00		
James Rimmer owes me..	2930 00		
		<i>Net Worth</i>	3315 00
			8650 00
	11965 00		11965 00

4. LOSS AND GAIN.

Expense	165 50	Gain on Flour	550 00
<i>Net Gain</i>	649 50	" Wheat	265 00
	815 00		815 00

5. STOCK.

<i>Net Worth</i>	8650 00	Investment.. ..	8000 50
		<i>Net Gain</i>	649 50
	8650 00		8650 00

The pupil will test his familiarity with the foregoing instructions by rendering analyses or statements of *Losses and Gains*, and of *Resources and Liabilities*, from the following exercises. He will do well to arrange them according to forms 1 and 2, and also according to forms 3, 4 and 5. The latter method will specially prepare him for closing the Ledger.

If properly worked out the result will be as given immediately after each Trial Balance.

6. TRIAL BALANCE.

Dr. Bal.	Dr. Foot'gs.	L.F.		Cr. Foot'gs.	Cr. Bal.
	150 00	1	Stock - - -	7500 00	7350 00
1044 27	4170 17	2	Mdse (unsold \$2000) -	3125 90	
1532 17	5750 29	3	Cash - - -	4218 12	
500 00	500 00	4	Robert Baker - -		
			Real Estate (unsold		
6685 00	7000 00	5	\$6900)* - -	315 00	
1000 00	1500 00	6	Bills Receivable -	500 00	
	400 00	7	Bills Payable - -	1200 00	800 00
79 25	154 25	8	Geo. Ritchie & Co. -	75 00	
1061 00	1200 00	9	Warner Bros. - -	139 00	
375 00	375 00	10	Expense - - -		
	1400 00	11	N. Jones - - -	2100 00	700 00
		12	Hunt & Co. - - -	170 00	170 00
45 00	120 00	13	Interest and Discount†	75 00	
		14	W. P. Graham - -	3601 69	3601 69
300 00	300 00	15	Loss and Gain - -		
12631 69	23019 71		— <i>Equilibrium</i> —	23019 71	12621 69

Net Capital at commencing, \$7350.

Net Gain, \$450.73.

Net Capital at closing, \$7800.73.

* Real Estate, Railroad Stock, and all speculative property accounts are treated like Merchandise account.

† Interest and Discount contains on the Dr. side the cost of the *use of money* granted to us, and on the Cr. side what the *use of money* granted to others produces us. The difference, therefore, shows a *loss or gain*, as the case may be.

7. TRIAL BALANCE.

L.F.		Dr.		Cr.	
1	S. G. Beatty (<i>Partner</i>)* - - - -	3000	00	16863	13
2	S. Clare (<i>Partner</i>)* - - - -			12000	00
3	Cash - - - - -	9732	10	4719	22
4	Merchandise (<i>Value unsold</i> , \$5159.50) -	7350	00	3719	50
5	Railroad Stock (<i>Value unsold</i> , \$12000) -	12000	00		
6	Bills Receivable - - - - -	7000	00	5000	00
7	Bills Payable - - - - -	3180	00	6180	00
8	Real Estate (<i>Value unsold</i> , \$8000) - -	7500	00	150	00
9	Robertson & Henry - - - - -	1150	00	920	00
10	G. C. Holton & Co. - - - - -			1500	00
11	Expense - - - - -	125	00		
12	Interest - - - - -	28	00	13	25
13	W. W. Jones - - - - -	1795	00	795	00
14	John Cook - - - - -	1290	00	840	00
15	Conger Bros. - - - - -			1450	00
		54150	10	54150	10

S. G. Beatty's Net Capital at commencing, \$13863.13.

S. Clare's Net Capital at commencing, \$12000.

Total Net Gain, \$2039.25; each Partner's share of Gain, \$1019.62½.

S. G. Beatty's Net Worth at closing, \$14882.75.

S. Clare's Net Worth at closing, \$13019.63.

CLOSING THE LEDGER.

It was thought best for the present to leave the Ledger of this set in its open condition, and show the results of the business in separate statements. When the object is simply to *know* the condition and progress of the business, this method is sufficient, but when it becomes necessary to mark these in

* The Partners' accounts are treated precisely the same as Stock account. An account is opened for each partner in his own name, and each one's share of the net gain or net loss carried to it. In this instance divide the gain equally.

some *enduring manner* upon the Ledger, the accounts must be closed.

To close an account is to bring its *current* condition to an *end*. If both sides are already equal, write the amount on both sides, on the same level, and rule off, as in the closed Ledger following. If there is only one item on each side, and both are equal, simply rule off. If both sides are not equal, make them so by entering the difference between them on the smaller side, and then write the amount on both sides, and rule off as before.

Speculative property accounts, as Flour, Merchandise generally, Bank Stock, Railroad Stock, and Real Estate, cannot be closed, if any property remains unsold, until the value of what remains on hand is entered on the Cr. side. The object of these accounts is to show the gain or loss arising from the buying and selling of these different kinds of property, and it is evident this cannot be ascertained, if the property is not all sold, without taking into consideration the value of what remains unsold. After this is entered on the Cr. side, then the difference between the two sides will show the gain or loss, as the case may be ; and the account will be closed by writing this difference on the smaller side.

By "*closing one account into another*," as Loss and Gain into Stock, is meant that the difference entered on the smaller side of the former to *close it*, must at the same time be transferred to the *opposite side of the latter*. And as, in making entries of transactions, the name of the contra account is written, so in these closing entries, in each account *being closed*, the name of the account *being closed into* is written ; and, accordingly, in making the transfer entry, the name of the account *transferred from* is written. Hence, the closing entry in any account refers *forward* to the account to which it has been transferred, and the entry in the account *closed into* refers *backward* to the account from which it has been taken.

The pupil will see from this the reason why, in entering the value of unsold merchandise on the Cr. side of Merchandise account, he writes "*By Balance*." It is simply because, these goods being an asset, their value must be entered also in Balance account. He must carefully guard against supposing that this entry in the Merchandise account is the difference between the two sides ; and he will do well to remember that, although the word "*balance*" ordinarily signifies the difference between the two sides, in these closing entries it must be con-

sidered to mean simply "Balance Account." Hence, any entry, *closing or otherwise*, which is to be transferred to Balance account will be written "To" or "By Balance," and any entry, *closing or otherwise*, which is to be transferred to Loss and Gain account will be written "To" or "By Loss and Gain."

The pupil should not forget that in no one thing does the proficiency of a practical accountant more plainly manifest itself than in the matter of neatness in arrangement and execution. He should observe particularly the form adopted in ruling, which is usually done with *red ink*. It is also advisable to write the adjusting and closing entries in *red ink*, to distinguish them more readily from entries of transactions, the transfers being made in black ink.

ORDER OF CLOSING THE LEDGER.

The pupil will be much assisted in understanding the process of closing the Ledger accounts, if he will remember that the object is to place in a permanent form in the Ledger the same results as have been shown in the preceding statements; and, more especially, if he bears in mind the forms, Nos. 3, 4, and 5, as these very nearly accord with the arrangement in the Ledger. The only difference in the headings is, that the one there called "Assets and Liabilities," will be here called "Balance" account. Stock account is already in the Ledger, and in the course of business it is not improbable that Loss and Gain account would be required for some entry which cannot properly be made any where else.

The posting having been found correct by taking a Trial Balance, and by careful checking, the following order may be observed:—

I. Open an account in the name of Loss and Gain (if there is not one already), into which to collect all the *losses and gains*, and one in the name of Balance, into which to collect all the *assets and liabilities*.

II. Enter on the Cr. side of Flour, Wheat, or any *speculative property* account, the value of such property unsold (as found by taking stock), writing in *red ink*, "By Balance, Inventory," and transfer the amount in *black ink* to the opposite, or Dr., side of Balance account, writing "To Flour," "To Wheat," or whatever the name of the account is from which the transfer is made.

III. Close Private account into Stock.

IV. The remaining accounts will show either an asset or a

liability, a loss or a gain. Close every account whose difference represents an *asset* or a *liability* into Balance account, and every account whose difference represents a *loss* or a *gain* into Loss and Gain account.

V. Three accounts now remain open—Stock, Loss and Gain, and Balance. Take a Trial Balance of these to test the accuracy of the transfer entries.

VI. Close Loss and Gain into Stock; and Stock into Balance.

VII. Balance account will now have both sides equal, and will be closed by simply footing, and ruling off.

PARTICULAR DIRECTIONS FOR CLOSING THE LEDGER OF SET I.

We will now take the pupil through the process of closing the Ledger of Set I., according to the instructions just given.

I. We first open Loss and Gain account and Balance account.

II. We then ascertain from the Inventory (which, for convenience, we have here put at the end of the Day Book), the value of the goods unsold. The unsold Flour, in this case, is worth \$3915, and the unsold Wheat \$1120, which amounts we enter on the Cr. side of these accounts in *red ink*, "By Balance, Inventory," and transfer the same immediately to the contrary, or Dr. side, of Balance account, making the entries in black ink, "To Flour, \$3915," and "To Wheat, \$1120."

The accounts are now in a condition to be closed either into Stock, Loss or Gain, or Balance, as the case may be.

III. We have not in this set a Private account distinct from the Stock account.

IV. We then come to Cash. The difference represents a resource or an asset of cash in hand. \$2550. We enter this in *red ink*, on the Cr. side, writing "By Balance," foot up the sides, and draw double red lines underneath. This red ink entry is at once transferred to the Dr. side of Balance account in black ink.

Bills Receivable shows an asset, and is closed, like Cash, into Balance account.

Bills Payable is also closed into Balance, the difference show-

ing a liability. The closing entry in this case falls on the *Dr.* side of Bills Payable, and the transfer entry, consequently, on the *Cr.* side of Balance.

We now come to the Personal accounts. All these accounts, if there be any difference between their two sides, will show either an asset or a liability, as the case may be, and will therefore be closed into Balance, in the same manner as those already closed. Robert Thompson's account already balances, and we close it by simply footing and ruling it.

Flour account shows a *gain*, the *Cr.*, or proceeds from sales, together with the value of the flour still on hand, being greater than the *Dr.* or cost. The difference is entered in *red ink* on the *Dr.* side, writing "To Loss and Gain, \$550;" and transferred to the contrary or *Cr.* side, of Loss and Gain, writing in black ink, "By Flour, \$550." Wheat account is closed in the same way. -

Expense account, being outlay for which no direct return is received, and, therefore, so far diminishing the gross gain on Flour and Wheat, is counted a *loss*. It is closed by writing, on the *Cr.* side, "By Loss and Gain, \$165.50," the transfer being to the *Dr.* side of Loss and Gain.

V. We have now the results of all the accounts exhibited under the heads of Loss and Gain and Balance, and if the transfers have been correctly made, these two accounts, together with the unclosed Stock account, must be in equilibrium. To test this, we next take a Trial Balance of these three accounts, which we call the

SECOND TRIAL BALANCE.

Dr.				Cr.			
			Stock				8000 50
165 50			Loss and Gain				815 00
11965 00			Balance				3315 00
12130 50							12130 50

After proving by this test that the *differences* have been properly *transferred*, we proceed to accomplish the grand object of closing the Ledger accounts, by carrying the difference between the two sides of Loss and Gain account, or, in this case, net gain of \$649.50, to the *Cr.* side of Stock account.

The Stock account now contains on the Cr. side, the capital invested and the net gain since. The absence of any entry on the Dr. side shows that there were no liabilities at the beginning, and that no capital has been withdrawn. The difference between the two sides is, therefore, just what the Cr. side amounts to, and represents the *present net worth*. The Balance account contains, on the Dr. side, the *present assets*, and on the Cr. side the *present liabilities*, the difference being the *present net worth*. Hence, whatever amount closes Stock will also close Balance. Close Stock into Balance, both sides of which will now be equal. Add up and rule off.

The pupil must not suppose that, when a merchant wishes to ascertain his financial position, he makes a *formal closing of his Ledger*, and for the continuance of his business *opens another Ledger*, commencing with the assets and liabilities, as shown in the Balance account of his former Ledger. Instead of that, all the entries which we have transferred to Balance account would be brought down, each in its own account, on the opposite side from that on which it falls, thus beginning the account anew. So that, if the Balance account be kept in the Ledger, its entries would not be *direct* transfers of the closing entries, but simply an inventory of the entries brought down to commence the accounts afresh. As a complete *double entry* is effected by the bringing down of the various differences showing assets and liabilities, the Balance account may be considered as not a necessary part of the Ledger, and may be kept at the end of the Ledger, or in a separate book. We have used it for its convenience in collecting the assets and liabilities at once from those accounts which show them.

The differences of the Loss and Gain accounts are, through the medium of the Loss and Gain Account, *finally disposed of* in the Stock Account, their effect appearing in the altered Net Capital, as brought down in Stock account to begin it anew.

BOOK-KEEPING.

SPECIMEN LEDGER, CLOSED.

See Explanation, beginning Page 129.

Dr.		STOCK.		Cr.	
1877				1877	
Jan.	20	To Balance	8650 00	Jan.	1
				"	20
				By Sundries*	1
				Loss & Gain	1
					8000 50
					649 50
			8650 00		8650 00

CASH.

1877				1877					
Jan.	1	To Stock	1	4000 50	Jan.	2	By Flour	1	300 00
"	4	" J. Rimmer	2	100 00	"	3	" Wheat	1	300 00
"	6	" Wheat	2	125 00	"	5	" "	2	560 00
"	11	" "	3	230 00	"	9	" Expense	2	25 50
"	15	" R. Thompson	3	975 00	"	10	" H. Corby	3	1000 00
"	"	" Bills Rec.	3	175 00	"	12	" Bills Pay.	3	650 00
"	17	" "	3	120 00	"	15	" "	3	200 00
					"	18	" Expense	3	140 00
					"	20	" Balance		2550 00
				5725 50					5725 50

BILLS RECEIVABLE.

1877				1877					
Jan.	4	To Wheat	2	175 00	Jan.	15	By Cash	3	175 00
"	5	" "	2	120 00	"	17	" "	3	120 00
"	8	" J. Miller	2	1300 00	"	20	" Balance		1450 00
"	11	" Wheat	3	150 00					
				<hr/>					<hr/>
				1745 00					1745 00

* Sundries, meaning several things, stands for the three accounts, Cash, Flour and Wheat.

BOOK-KEEPING.

DR.

BILLS PAYABLE.

CR.

1877					1877				
Jan.	12	To Cash	3	650 00	Jan.	2	By Wheat	1	200 00
"	15	" "	3	200 00	"	3	" Flour	1	650 00
"	20	" Balance		1315 00	"	12	" "	3	315 00
					"	16	" H. Corby	3	1000 00
				2165 00					2165 00

JAMES RIMMER.

1877					1877				
Jan.	2	To Wheat	1	150 00	Jan.	4	By Cash	2	100 00
"	8	" "	2	280 00	"	20	" Balance		2930 00
"	13	" Flour	3	1400 00					
"	17	" "	3	1200 00					
				3030 00					3030 00

W. LINGHAM.

1877					1877				
Jan.	20	To Balance		1000 00	Jan.	10	By Wheat	2	450 00
					"	17	" "	3	550 00
				1000 00					1000 00

ROBERT THOMPSON.

1877					1877				
Jan.	3	To Wheat	1	600 00	Jan.	15	By Cash	3	975 00
"	9	" "	2	375 00					
				975 00					975 00

BOOK-KEEPING.

Dr.

H. CORBY.

Cr.

1877				1877			
Jan. 10	To Cash	3	1000 00	Jan. 6	By Flour	2	3000 00
" 16	" Bills Pay.	3	1000 00				
" 20	" Balance		1000 00				
			3000 00				3000 00

JAMES MILLER.

1877				1877			
Jan. 6	To Flour	2	1300 00	Jan. 8	By Bills Rec.	2	1300 00

FLOUR.

1877				1877			
Jan. 1	To Stock	1	3000 00	Jan. 6	By J. Miller	2	1300 00
" 2	" Cash	1	300 00	" 13	" J. Rimmer	3	1400 00
" 3	" Bills Pay.	1	650 00	" 17	" "	3	1200 00
" 6	" H. Corby	2	3000 00	" 20	" Bal. Inv't'y		3915 00
" 12	" Bills Pay.	3	315 00				
" 20	" Loss & Gain		550 00				
			7815 00				7815 00

WHEAT.

1877				1877			
Jan. 1	To Stock	1	1000 00	Jan. 2	By J. Rimmer	1	150 00
" 2	" Bills Pay.	1	200 00	" 3	" R. Thompson	1	600 00
" 3	" Cash	1	300 00		son		
" 5	" "	2	560 00	" 4	" Bills Rec.	2	175 00
" 10	" W. Lingham	2	450 00	" 5	" "	2	120 00
" 17	" "	3	550 00	" 6	" Cash	2	125 00
" 20	" Loss & Gain		265 00	" 8	" J. Rimmer	2	280 00
				" 9	" R. Thompson	2	375 00
					son		
				" 11	" Sundries	3	380 00
				" 20	" Bal. Inv't'y		1120 00
			3325 00				3325 00

BOOK-KEEPING.

DR.				EXPENSE.				CR.			
1877						1877					
Jan.	18	To Cash	3	25 50	Jan.	20	By Loss & Gain		165 50		
"	"	"	3	140 00							
				165 50					165 50		

(Losses.) LOSS AND GAIN. (Gains.)

1877					1877						
Jan.	20	To Expense		165 50	Jan.	20	By Flour		550 00		
"	"	Stock		649 50	"	"	Wheat		265 00		
				815 00					815 00		

(Resources.) BALANCE. (Liabilities.)

1877					1877						
Jan.	20	To Cash		2250 00	Jan.	20	By Bills Pay.		1315 00		
"	"	Flour		3915 00	"	"	W. Ling-		1000 00		
"	"	Wheat		1120 00			ham				
"	"	Bills. Rec.		1450 00	"	"	H. Corby		1000 00		
"	"	J. Rimmer		2930 00	"	"	Stock		8650 00		
				11965 00					11965 00		

NOTE.—In all those accounts whose difference shows an asset or a liability, an excess of the Dr. side represents an asset, and an excess of the Cr. side a liability. As the closing entry is the excess of the larger over the smaller side, and as this entry is placed on the smaller side, and transferred to the opposite side of Balance, it is evident that the transfer in Balance must fall on the same side as the excess of the account from which it is taken. Hence, if the excess be on the *Dr. side*, the transfer entry will be on the *Dr. side of Balance*, and if the excess is on the *Cr. side*, the transfer will fall on the *Cr. side of Balance*. Therefore, the Dr. side of Balance contains the assets, and the Cr. side the liabilities.

It may be similarly observed of the loss and gain accounts, that the excess, on whatever side of the account it is, will fall upon the same side of Loss and Gain account. And as an excess of Cr. in all these accounts shows a gain, and an excess of Dr. a loss, so the losses fall upon the Dr. side of Loss and Gain account, and the gains on the Cr. side.

DETECTION AND CORRECTION OF ERRORS.

The Trial Balance is the best short test of correctness in posting yet discovered, and this is defective, inasmuch as errors may exist while the Trial Balance is apparently entirely correct:—such as posting to the wrong account, although on the right side; omitting to post a debit and a credit of equal amount, &c. But if the Trial Balance is not in equilibrium, there is certainly an error, which must be sought and corrected.

DETECTION.—First. See whether the pencil footings on the Ledger, preparatory to taking the Trial Balance, are correct, and whether the balances of the different accounts have been transferred into the Trial Balance rightly.

Second. If there is still an undiscovered error, examine each post separately, checking the entries in both Journal and Ledger as you proceed, until you have been over the whole; and then look through again, to see if any amount remains unchecked, and, if so, investigate the cause of the omission.

In this manner, you can scarcely fail to discover the mistake, provided the Journal is correct; but great care should be taken to see that the Journal is in equilibrium before posting, as any discrepancy there will give you much trouble in the Ledger.

CORRECTION.—In the Day Book (or any other book of original entry), erasures are inadmissible, since this book is taken as evidence in courts of justice, and anything obliterated or erased looks suspicious, and would probably render invalid the entry with which it is connected, and in some cases might even throw the whole book out of court, as evidence unfit to receive. Errors in it should therefore be corrected by making other entries explaining them; or the erroneous entry, if it has not been journalized, may be marked “void,” and remain without further alteration, a new and correct entry being made of the transaction.

IN THE JOURNAL, erasures are sometimes admissible, although it is generally advisable to treat errors as directed for the Day Book.

IN THE LEDGER, if any entry be posted to the wrong account, make ciphers of the figures, and leave the remainder so as not to deface the Ledger; then post the entry to its proper place. If a wrong amount be posted, alter it to the right. And if a duplicate post be made, make ciphers of the figures in the erroneous one. If two accounts be opened with the

same person, close the one into the other, "To" or "By" name of account, page—footing and ruling off the closed account, as a settled account; stating the particulars of each transfer in the open account.

QUESTIONS FOR REVIEW.

What two results should a complete set of accounts furnish the means of ascertaining? In what way is the net capital found by Single Entry? What two ways does Double Entry furnish of finding the net capital? Name the most usual kinds of assets—liabilities—sources of gain—sources of loss. Name the *accounts* kept to show assets and liabilities—losses and gains. Which of these accounts does the Single Entry Ledger *strictly* contain? What two subsidiary books along with the Single Entry Ledger will *generally* give the whole of the assets and liabilities except that of *goods unsold*? How is the value of the merchandise on hand ascertained in most businesses, both in Single and Double Entry? How does the Single Entry Ledger differ from that of Double Entry, even when the former is supplemented by the Cash Book and Bill Book? In what respect *chiefly* may Single Entry be considered an imperfect, and Double Entry a perfect, system of account-keeping? What is the fundamental principle of Book-keeping by Double Entry? Name the principal book in a set of accounts, and describe it. State some advantages of using additional books. What are the *three principal books* used in Double Entry? Describe the Day Book. What particulars should a Day Book entry embrace? Describe the Journal. What is journalizing? How would you decide *when* a personal account is affected, and *on which side*? How would you determine when an account representing *a thing* (i.e., an *impersonal* account) is affected, and on which side? How many accounts, at least, are affected in one transaction, and how many *may be*? What knowledge is necessary to enable us to journalize intelligently? Why should an account be indexed as soon as opened in the Ledger? What entries are made on the Dr. and Cr. side of Stock account—Cash—Bills Receivable—Bills Payable—Merchandise—Expense—James Heaton—and Bank account? What does the closing entry in each of the above accounts show? What is meant by closing an account—by closing one account *into* another? Before closing Merchandise account, or any speculative property account, what preparatory entry must be made, if the property is not all sold, before the closing entry can be made? What is the first thing to be done after the transactions of a set have been posted? What is a Trial Balance, and how is it made out? Although the Trial Balance may show an equality between both sides of the Ledger, what chances of error still remain? How often should a Trial Balance be taken? In classifying accounts what two grand results are had in view? When it becomes necessary to mark the progress of the business in some enduring manner on the Ledger, what must be done? Under what head are the losses and gains collected? Under what head are the assets and liabilities collected? What does the difference between the two sides of Loss

and Gain account show? What does the difference between the two sides of Balance account show? After the net gain or net loss, as the case may be, is carried to Stock account, what will the difference between the two sides show? What general principle guides us, as to the *words written*, in making an entry, either closing or otherwise? In entering the value of unsold goods in Merchandise account, why do we write the word "Balance?" Name the accounts closed into Loss and Gain, and those closed into Balance. Into which account is Loss and Gain account closed? Give two reasons why, when all the accounts except Stock and Balance are closed, the amount which closes Stock will close also Balance. In which *two accounts* do we find the *present* net capital? In which account do we find both the *present and former* financial condition of the business? Give the *order of closing* the accounts. In what direction does a *closing* and *transfer* entry respectively point? Why is it usual and proper to write closing entries in red ink? How do you proceed to detect and correct errors?


BUSINESS SERIES.

THE sets which follow, while serving as a synthetical unfolding of the science, are intended, each in its turn, to present some speciality of business, and some radical feature which distinctly characterizes its purpose. In presenting the transactions, care has been taken to avoid, as far as possible, any proper *form* of entry; but, at the same time, to present the *facts* as clearly and unmistakably as possible.

They are intended to cover a wide field of practice, and to present sufficient variety of transactions and enforcement of theory to give the pupil a clear understanding of the science. Each set is complete within itself, and special in its purpose and teaching. Its characteristics are briefly announced at the start, and as its results only, with more or less detail, are given at its close, the pupil is obliged to accomplish the work of the set in order to arrive at the proper result.

This mode of arrangement is calculated to throw the learner upon his own resources, and rescue him from the too common error of copying down the work without understanding it. This feature will no doubt recommend itself to all faithful students.

While performing the following work, remember that the three great qualities essential to success in Accountantship are:—ACCURACY, NEATNESS and DISPATCH.

 For the benefit of the pupil, and in behalf of economy in the use of Ledger paper, the number of lines required for each account will be found immediately after the set.

This apportionment, it will be borne in mind, provides for the Ledger heading, and also for the necessary space to close up the accounts in due form.

 SET II.—GROCERY BUSINESS.

CHARACTERISTICS.—Buying and selling for Cash—Business adverse.

St. JOHN'S, N.B., January 1st, 1877. Invested Cash, \$5000.
 2. Bought of Geo. Wallbridge, for Cash, 5 hhds. Molasses,
 3500 gals., at 40c., \$1400.

CAUTION.—In transcribing a set to your Day Book, leave the column blank for the insertion of your own folios.

BOOK-KEEPING.

3. Sold Thos. Goin, for Cash, 3 hhds. Molasses, 2100 gals., at 35c., \$735.
4. Sold C. P. Holton, for Cash, 1 hhd. Molasses, 700 gals., at 45c., \$315.
5. Sold W. B. Robinson, for Cash, 1 hhd. Molasses, 700 gals., at 40c., \$280.
6. Paid Expenses in Cash, \$175.

Capital at commencing, \$5000.

Net Loss, \$245.

Capital at closing, \$4755.

The following are the Ledger accounts for this set, with the number of lines required for each:—

SET II.—STOCK, 6 ; CASH, 7 ; MERCHANDISE, 7 ; EXPENSE, 5 ; LOSS AND GAIN, 6 ; BALANCE, 5.

SET III.—DRY GOODS BUSINESS.

CHARACTERISTICS.—Buying and selling for Cash and on Personal Account—Business prosperous.

- KINGSTON, January 12th, 1877. Invested in business, Cash, \$4755 ; Merchandise, \$2000.
13. Bought of Muir & Co., Montreal, on 3 months' credit, 4 cases, 5200 yds. Muslin, at 20c., \$1040.
 15. Sold Geo. Brown, on acc't, 1 case Muslin, 1300 yds., at 25c., \$325 ; 12 ps. Tweed, 420 yds., at \$1.25, \$525.
 16. Bought of Walker & Son, for Cash, 3 cases Prints, 3210 yds., at 10c., \$321 ; and 4 cases do, \$3500 yds., at 15c., \$525.
 17. Sold H. Warren, on acc't, 6 ps. Tweed, 210 yds., at \$1.25, \$262.50.
 18. Sold J. S. Miller, for Cash, 2 cases Prints, 2140 yds., at 12½c., \$267.50 ; and 2 cases Muslin, 2600 yds., at 25c., \$650.
 19. Bought of Geo. Brown, on acc't, 3 cases Prints, 3690 yds., at \$12c., \$442.80.
 20. Received from H. Warren, Cash to balance acc't, \$262.50
 22. Paid sundry items of expense, \$120.

Merchandise remaining unsold, valued at \$3500.

Capital at commencing, \$6755.

Net Gain, \$1081.20.

Capital at closing, \$7836.20.

Ledger accounts and number of lines required for each :—

SET III.—STOCK, 6 ; CASH, 8 ; MERCHANDISE, 11 ; MUIR & Co., 6 ; GEO. BROWN, 6 ; H. WARREN, 6 ; EXPENSE, 6 ; LOSS AND GAIN, 7 ; BALANCE, 10.

REMARKS ON NOTES AND BILLS.

A new feature in connection with the work of the following sets is the computation of interest on notes and bills. The pupil must not forget that three days' grace are allowed on all notes and bills, except those payable *on demand*. Those payable *at sight*, as well as those payable *after sight*, or *after date*, are subject, in Canada, to this rule.

In reckoning the number of days between one date and another, the day of the first date is excluded from, and the day of the last is included in, the calculation. Thus, if we wish to know the number of days from September 29th to December 1st, it is evident that from the 29th to the 30th is one day. We have, therefore,

In September 1 day.
 " October 31 days.
 " November 30 "
 " December 1 day.

63 days.

A note made, or draft accepted, on the 30th September, at 60 days, will become *nominally* due on the 29th November, but *legally* due on the 2nd December. As the first day reckoned is the day after the date of making or accepting, there are no days to count in September. Therefore, we have,

In Oct. 31 days.	In. Oct. 31 days.
" Nov. 29 " nominally due.	" Nov. 30 "
	" Dec. 2 " legally due

60 days.

63 days.

When the time is expressed in months, *calendar* months are always understood, and the note or bill becomes *nominally* due in the last month of its term upon the day corresponding with its date, but *really* payable three days after. Thus, a note dated the first day of any month becomes *nominally* due on the first day of some succeeding month, and *legally* due on the fourth. If the last month of the term does not contain a corresponding day to that of the date of the note, then the note will be *nominally* due on the *last day* of the last month of the term. Thus, four notes, at one month, and dated respectively January 28th, January 29th, January 30th, and January 31st, 1877, would all become *nominally* due on the 28th February, and *legally* due on the 3rd March. When the last day of grace falls on a Sunday, or any legal holiday, the note is payable on the following day.

SET IV.—PRODUCE BUSINESS.

CHARACTERISTICS.—Buying and selling for Cash and on Notes—Interest taken into consideration—Commencing with both Resources and Liabilities, effecting a Gain, and closing with increased Capital.

NOTE.—The pupil will work out the interest on all notes requiring it.

April 2nd, 1877.

I commence business to-day with the following:—

RESOURCES.

Cash on hand - - - - -	\$1500 00
S. Clare's Note, my favor, at six months, from Dec. 2nd, 1876, with interest at 7 per cent. - - - - -	2500 00
Interest due to date* - - - - -	58 01

LIABILITY.

I owe on my Note, favor of Charles Webster, dated Feb. 3rd, 1877, at four months \$558 33

3. Bought of Thos. Wills, for Cash, 600 bush. Wheat, at \$1.50.
4. Sold Robert Wells, on his Note, at 30 days, 400 bush. Wheat, at \$2.

* This item of *interest* being an asset at the opening, the proprietor's Capital account must be *credited* with it, either under his own name, or Stock, or Capital. The *debit* may be disposed of in several ways. We may either *debit*—1st, S. Clare; 2nd, Interest Receivable; or 3rd, Interest. The last, although theoretically open to objection, is the simplest, and the one commonly adopted. The pupil can take his choice.

6. Prepaid my Note, favor of Charles Webster. Face of Note, \$558.33. Discount off, 61 days at 7 per cent., \$6.53. Proceeds paid in Cash, \$551.80.*
 11. Received Cash of S. Clare, in full for his Note and interest. Face of Note, \$2500. Interest due to date, \$62.33.†
 12. Sold James Whyte, on his Note at 30 days, 100 bush. Wheat, at \$1.75.
 13. Robert Wells prepaid his Note to-day. Face of Note, \$800. Discount off, 24 days, \$3.68. Proceeds received in Cash, \$796.32.
 14. Gave George Warren my Note, at 10 days, for rent of store, \$80.
 16. Took out for private use, \$30.
 17. Sold A. B. Smith, for Cash, 20 bush. Wheat, at \$1.50.
- Inventory of Goods unsold—80 bush. of Wheat, valued at \$1.25, \$100.

Net Capital at commencing, \$3499.68.

Net Gain, \$132.17. Net Capital at closing, \$3601.85.

Ledger Accounts and number of lines required for each:

STOCK, 5 ; PRIVATE ACCOUNT, 4 ; CASH, 7 ; BILLS RECEIVABLE, 6 ; BILLS PAYABLE, 6 ; MERCHANDISE, 6 ; INTEREST, 6 ; EXPENSE, 4 ; LOSS AND GAIN, 6 ; BALANCE, 6.

* In this instance we pay the note before due, and discount is allowed us. Interest account is debited for the *cost of the use of money received by us*, and credited for *returns for the use of money granted by us*. By paying the money before it is due we give Charles Webster the use of it 61 days before he is entitled to it, and for this use the allowance is made to us. Hence the Journal entry is—

Bills Payable,	Dr.	\$558 33	
Cash,	Cr.		\$551 80
Interest,			6 53

† Our mode of proceeding here will depend upon what we did with the interest due up to April 2nd. If we debited Interest, the Journal entry is—

Cash,	Dr.	\$2562 32	
Bills Receivable,	Cr.		\$2500 00
Interest,			62 33

If we debited Interest Receivable, our Journal entry will be—

Cash,	Dr.	\$2562 33	
Bills Receivable,	Cr.		\$2500 00
Interest Receivable,			53 01
Interest,			4 32

Or, we may first debit Interest Receivable with the interest accrued since the opening of the books, thus—

Interest Receivable,	Dr.	\$4 32	
Interest,	Cr.		\$4 32

And then say—

Cash,	Dr.	\$2562 33	
Bills Receivable,	Cr.		\$2500 00
Interest Receivable,			62 33

If we debited S. Clare, proceed as above, substituting S. Clare for Interest Receivable. The thoughtful pupil will observe that all these methods come to the same thing. The only difference is in the manner of treating the interest. The same ultimate result is produced in the *Interest account*, viz.: a gain of \$4.32 for interest on the note since the opening of the books.

SET V.—FURNITURE BUSINESS.

CHARACTERISTICS.—Buying and selling for Cash, on Personal Account and on Notes—Interest taken into consideration—Commencing with a Net Capital, sustaining ; Loss greater than Capital, and closing Insolvent.

BOOKS USED.—DAY BOOK, JOURNAL, LEDGER, AND BILL BOOK

See form of Bill Book, at the end of set.

OTTAWA, March 1, 1877.

Leased a store of T. B. Dean, at \$600 per annum, and commenced the Furniture Business, investing as follows :—

Cash, \$1800. Stock of Furniture on hand, \$1500. Note against A. Overell, for \$750, dated January 17th, 1877, at two months. Total investment, \$4050.

Bought of G. S. Tickell, Belleville, on one month's credit, 15 Carved Rosewood Centre Tables, at \$50 ; 6 doz. do Arm Chairs, at \$60. Total, \$1110.

2. Sold W. R. Barber, on his Note at 15 days, 10 Carved Rosewood Chairs, at \$8 ; 1 do Centre Table, \$75 ; 1 Gothic Hall Stand, \$25. Total, \$180.

3. Bought of Jakes & Hayes, Toronto, on acc't, 10 sets Enamelled Furniture, at \$75 ; 6 do Black Walnut, at \$150 ; 10 Extension Dining Tables, at \$25. Total, \$1900.

5. Sold W. H. Sherman, for Cash, 1 set Enamelled Furniture, \$100 ; 1 Extension Dining Table, \$40 ; 8 Carved Rosewood Chairs, at \$3. Total, \$204.

6. Sold W. W. Jones, on his Note at 1 month, with interest at 6 per cent., 1 set Enamelled Furniture, \$100 ; 1 Extension Table, \$40 ; 1 Dressing Bureau, \$35 ; 1 Rosewood Tete-a-tete, \$50 ; 1 Gothic Hall Stand, \$28 ; 1 Card Table, \$5 ; 1 French bedstead, \$22 ; 1 Cottage Bedstead, \$15. Total, \$295.

“ Settled with Jakes & Hayes, by giving them my Note at 1 month, with interest at 9 per cent., in full of account, \$1900.

9. Bought of J. B. Ashley, on my Note at 10 days, 15 Black Walnut Bookcases, at \$60 ; 2 doz. do Arm Chairs, at \$60 ; 20 Curled Hair Mattresses, at \$20 ; 20 Double-leaf Secretaries, at \$35 ; 25 Music Racks, at \$5. Total, \$2245.

10. Sold G. W. Maybee, on account, 1 Carved Rosewood Centre Table, \$60 ; 2 doz. do Arm Chairs, at \$50 ; 1 set Enamelled Furniture \$80 ; 1 Black Walnut Sofa Bedstead, at \$50 ; 2 Extension Tables, at \$30 ; 2 Gothic Chairs, B. W., Stuffed, at \$15 ; 1 Easy Rocker, \$12. Total, \$392.
12. Bought of Jakes & Hayes, on 3 months' credit, an assortment of Furniture, amounting, per invoice, to \$3500.
" Paid Cash for Insurance, \$125.
15. Sold S. G. Beatty, for Cash, 2 Black Walnut Bureaus, at \$30 ; 1 Rosewood Parlour Set, \$400 ; 1 Enamelled Bedroom Suite, \$200 ; 1 Single Bedstead, \$8 ; 1 Quartette Table, \$9 ; 1 Ladies' Arm Chair, \$12 ; 1 Black Walnut Library Bookcase, \$75. Total, \$764.
16. Sold S. Clare, for Cash, 1 Carved Rosewood Secretary, \$120 ; 3 Patent Spring Beds, at \$60 ; 1 Walnut Centre Table, \$50 ; 2 Rosewood Bureaus, at \$40 ; 2 Arm Chairs, at \$10 ; 2 "Sleepy Hollow" Chairs, at \$25 ; 1 Black Walnut Parlour Suite, \$300 ; 1 Side What-not, \$9. Total, \$809.
17. Paid Cash for three months' rent, \$150 ; Advertising, \$25.
" Bought of Jakes & Hayes, on acc't, Furniture amounting, per invoice, to \$2150.
" Bought of H. W. Huffman, on my Note, at 3 months, Furniture amounting to \$550.
" Received from G. W. Maybee, Cash on acc't, \$150.
19. Sold W. Johnston, on his Note at 3 months, 1 Hall Stand, \$5 ; 6 Parlour Chairs, at \$3.50 ; 1 R. W. Tete-a-tete, \$30 ; 1 Black Walnut Sofa, \$30 ; 1 large Dining Table, \$14 ; 1 Piano Stool, \$8 ; 1 Music Rack, \$5. Total, \$113.
" Sold Warner Bros., for Cash, 2 Bedroom Suites, at \$50.60 ; 2 Rosewood Parlour Suites, at \$200. Total, \$501.20.
20. Received from G. W. Maybee, Cash in full of acc't, \$242.
" Received from A. Overell, Cash in full for his Note of Jan. 17th, \$750.
24. Sold H. Corby, on acc't, 20 doz. Kitchen Chairs, at \$8 ; 10 doz. Rush-bottom Chairs, at \$18. Total, \$340.
28. Bought of Smith & Co., Kingston, on Note at 3 months, assortment of Furniture amounting, as per invoice, to \$1500
- April 2. Paid G. S. Tickell, Cash on acc't, \$500.

9. Received from W. W. Jones, Cash in full for his Note of the 6th ult., and interest thereon to date, at 6 per cent. Face of Note, \$295. Interest, \$1.62.
- “ Paid my Note of 9th ult., favour of J. B. Ashley, with interest at 6 per cent. for time overdue, 18 days. Face of Note, \$2245. Interest, \$6.74.*
12. Paid Salaries, \$180; Sundry Expenses, \$25.
16. Paid my Note of 6th ult., favour of Jakes & Hayes, with interest to date. Face of Note, \$1009. Interest, \$19.
- Inventory of Merchandise unsold, \$5336.34.

Net Capital at commencement, \$4050.

Net Loss, \$6049.58.

Net Insolvency at closing, \$1999.58.

Ledger accounts and number of lines required for each:

STOCK, 6; CASH, 12; MERCHANDISE, 12; BILLS RECEIVABLE, 8; BILLS PAYABLE, 8; G. S. TICKELL, 5; JAKES & HAYES, 6; G. W. MAYBEE, 5; H. CORBY, 5; EXPENSE, 8; INTEREST, 5; LOSS AND GAIN, 8; BALANCE, 7.

BILL BOOK.

All necessary explanations of the Bill Book are made by the headings of the different columns. It is so simple that the pupil will see, by inspection, its utility.

It will be observed that the Bills entered in the following forms are taken from the transactions of Set V., and hence the notes on hand and notes outstanding, as shown by Bills carried down, will be found to agree with the balance shown in the proper Ledger accounts.

* In business calculations, it is not customary to enter fractions of a cent upon the account books, consequently in all computations throughout these sets where a fraction of a cent less than one-half occurs, we take no notice of it, but where a fraction of half a cent or more occurs, we call it one cent.

FORM OF BILL BOOK.

BILLS RECEIVABLE.

When Rec'd.	Drawer or Acceptor.	In whose Favor.	For what Rec'd.	Where Payable.	Date.		Time to Run.	When Due.												Am't.	When and how disposed of.		
					Y'r	Month		Y'r	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.			Dec.	
1 Mch	1 A. Overall	My own	Invest't	My office	1877	Jan. 17	2 m.	1877			20											750 00	Received in cash.
2 "	2 W. R. Barber	"	Mdso	"	"	Mch 2	15 d.	"			20		8									180 00	Carried down.*
3 "	5 W. W. Jones	"	"	Mont Bk	"	" 5	1 m.	"						21								295 00	Received in cash.
4 "	18 W. W. Johnson	"	"	"	"	" 18	3 m.	"														113 00	Carried down.*
																						1338 00	
																						180 00	
																						113 00	

* Red ink.

BILLS PAYABLE.

No.	When Issued.	Drawer or Acceptor.	In whose Favor.	For what Given.	Where Payable.	Date.		Time to Run.	Yr.	When Due.												Am't.	When and how redeemed.		
						Yr	Month			Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.				
1	1 Mch	Myself	Jakes & Hayes	Mdse	My office	1877	Mch 6	1 m.	1877				9										1900 00	Paid in cash.	
2	2 "	"	J. B. Ashley	"	"	"	" 9	10 d.	"					20									2245 00	Paid in cash.	
3	3 "	"	H. Huffman	"	Mont Bk	"	" 17	3 m.	"						31								550 00	Carried down.*	
4	4 "	"	Smith & Co.	"	"	"	" 23	3 m.	"														1500 00	Carried down.*	
																							6195 00		
																							550 00		
																							1500 00		
8	8 Mch	Self	H. Huffman		My office	1877	Mch 17	3 m.	1877					20											
4	4 "	"	Smith & Co.		Mont Bk	"	" 28	3 m.	"					31											

* Red ink.

INSTRUCTIONS.—SET VI

The five previous Sets, by Double Entry, have all been worked out on the *old Italian method*. Another form of entry will now be introduced, which is extensively adopted in all branches of business. It combines the Day Book and Journal in one book, usually denominated the Journal Day Book.

The Day Book and Journal entries are, by this method, intimately connected in such a manner that they are at all times ready for posting, and as one book is entirely dispensed with, much unnecessary writing is avoided.

Although more difficult to the beginner, he will, if he fully understands the work he has already gone over, by closely observing the form of entry on pages 158 and 159, soon be enabled to enter properly any transaction as readily as by the method already presented. Until he becomes familiar with this mode of entry, he should, before entering a transaction, make all calculations respecting it on his slate or a loose sheet of paper.

Many of the transactions are similar to those of the preceding Sets, and need no additional explanation. Those, however, of the following dates introduce new features, and require explanation.

JAN. 2. In dealings with the Bank, *debit* it with amounts deposited, and *credit* it with amounts withdrawn per check.

JAN. 4. T. C. Kerr & Co have not purchased this Case of Tweed, but have merely accepted it to sell for us, and will hold it subject to our order until sold or recalled. They do not owe us for the goods, and should not, therefore, be charged with them.

The name "Shipment" is applied to such transactions, and in order that a proper account may be kept with each, the *consignees'* name or place of residence should be attached and the shipments numbered. This account may be named "Shipment to Kerr & Co., No. 1," or "Ship't to Hamilton, No. 1." It should be *debited* for the full value of the goods and for all charges, thus: Ship't to Kerr & Co., No. 1, Dr. \$536.50. To Mdsc, \$5.25, and To Cash, \$11.50.

JAN. 6. As Interest and Discount are the same in nature and effect, both representing the *use of money*, and indicating the amount paid or received for it, we do not deem it necessary to keep separate accounts for them; therefore, post both under the same heading—INTEREST.

In order to get a note discounted at a bank, it must be properly endorsed. This note has been discounted, and cash, \$498.68, received. The bank kept the balance, \$1.32, for the use of the money until the note falls due. The Journal entry should be as follows: Cash, Dr. \$498.18; Interest, Dr. \$1.32. To Bills Receivable, \$500.

Cash was received, Discount was allowed or paid; therefore, Cash

and Interest should be *debited*, and as the Bill was parted with, Bills Receivable should be *credited*.

JAN. 8. This Tweed has merely been received from T. Brown & Co. for sale on their account and risk, and as we have not purchased the goods, T. Brown & Co. should not be credited. The name "Consignment" is usually given to property received for sale on account and risk of the shipper. In order to distinguish between different consignments, the shipper's name should be prefixed and each one numbered. This account may be called "Brown & Co.'s Consigt., No. 1," or, as some merchants term it, "Brown & Co.'s Sales, No. 1."

The account is *debited* for all charges paid on it when received, and for all costs accruing thereon while in your possession, and *credited* for all its incomes and sales. It should be journalized as follows : T. Brown & Co.'s Consigt, No. 1, Dr. \$12.40. To Cash, \$12.40.

JAN. 9. A. B. Campion owes us on account, and we have given McInnes Bros. a draft on him, expecting Campion to pay it when it falls due.

Debit Mdse and credit A. B. Campion. { Or, first debit Mdse to McInnes Bros.,
and then debit McInnes Bros. to A.
B. Campion.

In Journalizing Drafts issued or received, observe the following RULE.—*Credit the person or bank you draw on, because that person or bank pays an amount on your account.*

Debit the person who draws on you, because you pay a certain amount on his account.

JAN. 11 The *acceptance* of this Draft is the same in effect as paying J. G. MacKenzie & Co. \$400 by Note. It is agreeing to pay the Draft by writing the word "Accepted" across its face, and signing your name. When a Draft is accepted by you, *debit the person who draws on you*, or the person on whose account the acceptance is given, and *credit* Bills Payable.

The Draft on Campion, of the 9th inst., was discounted to McInnes Bros., by the bank, and when presented to Campion he refused to accept it. The bank then had it protested for non-acceptance, and returned it to us for payment. As we *credited* Campion with the Draft when we drew on him, we must now *debit* him with the same amount. He refused to assume the responsibility respecting the Draft, and should not, therefore, be charged with the protest fee. The entry should be as follows : A. B. Campion, Dr. \$225, the amount previously placed to his credit. Loss and Gain, Dr. \$1.06, the amount of protest fee. Cash, Cr. \$226.06, the amount of cash paid.

JAN. 19. See explanation of the 6th. Having indorsed this Note before discounting it, we became responsible for its payment, in case it was not paid by the maker. As he does not pay it, and the Note is allowed to go to protest, the bank looks to us for payment of the Note, together with the protest charges. We do pay it, and, holding the protested Note as evidence of the fact, charge the maker (or person from whom received) with the full amount paid on his behalf. The Journal entry will therefore be : P. R. Sanderson, Dr. \$501.06. To Bank, \$501.06.

BOOK-KEEPING.

JAN. 20. Having disposed of the goods belonging to Brown & Co.'s consgt, we find that, after deducting all charges, we have in our possession \$4446.60 belonging to T. Brown & Co., for which we should give them *credit*. Commission should be credited for the amount it has produced. Journal entry: Thos. Brown & Co.'s Consgt, Dr. \$4537.60. To Commission, \$91. To Thos. Brown & Co., \$4446.60.

JAN. 26. Notes are frequently renewed in this way, when it is found inconvenient to pay the whole amount at the time of maturity. Bills Receivable is *debited* for the amount of the new note received, \$1040.66. Interest is *credited*, \$40.66, and Bills Receivable is *credited* for the face of the old note parted with, \$1000.

JAN. 27. See explanation of the 6th. The only difference between this transaction and that of the 6th inst. is that the net proceeds of the Note, instead of being taken away, are left to our credit in the Bank. In making the entry DEBIT the Merchants' Bank for the amount left on deposit, \$2425.75; DEBIT Interest for the amount paid or allowed for the use of the money, \$11.75; and CREDIT Bills Receivable for the face of the Note, \$2437.50.

JAN. 29. Cash is *debited* for the total amount received, \$501.06, and P. R. Sanderson *credited*. It is customary in business to consider a check *received* the same as cash. Being payable on demand, the cash is received as soon as it is presented at the Bank, or, if we have an account at the Bank, the amount is placed to our credit as Cash deposited.

Accounts to be opened :

GEORGE WILSON, 5; HENRY CUMMINGS, 5; CASH, 24; MERCHANTS' BANK, 13; BILLS RECEIVABLE, 10; A. R. MCMASTER, 6; J. G. MCKENZIE & Co., 6; A. B. CAMPION, 7; D. E. FULFORD, 7; GORDON MCKAY & Co., 6; P. R. SANDERSON, 5; THOMAS BROWN & Co., 5; J. C. KERR & Co., 5; T. BROWN & Co.'s CONSGT No. 1, 5; MERCHANDISE, 24; SHIPMENT TO KERR & Co., No. 1, 6; SHIPMENT TO KERR & Co., No. 2, 5; COMMISSION, 5; INTEREST, 6; EXPENSE, 13; LOSS AND GAIN, 9; BALANCE, 16.

SET VI.

THE BOOKS TO BE USED IN WORKING THIS SET ARE,—DAY BOOK
AND JOURNAL COMBINED, BILL BOOK, AND LEDGER.

CHARACTERISTICS.—This Set is intended to illustrate the principles of a simple Commission in connection with a General Merchandise business; also, the giving and receiving of Notes, drawing and accepting Drafts, and mode of treating them when they fall due—Drawing and receiving Checks, and keeping a Bank Account in the Ledger.

SET VI.

TWO PARTNERS.

1877.

Jan. 1st. George Wilson and Henry Cummings have this day entered into partnership as Dry Goods, Grocery and Commission Merchants, under the firm name of "Wilson & Cummings," renting store and fixtures from A. Petrie, at \$900 per annum, and agreeing to share *gains* and *losses* in proportion to capital invested.

George Wilson invests:—

Cash, as per C. B., \$2,800; Stock of Merchandise from a former business, \$3,000; P. R. Sanderson's Note, at three months, from October 15th, 1876, for \$500.

Henry Cummings invests:—

Cash, as per C. B., \$3,000; W. J. Peterson's Note, at six months, from July 23rd, 1876, bearing interest at 8 per cent., for \$1,000; Interest accrued to date, \$35.51.

2. Bought of A. R. McMaster, Toronto, on acc't, 4 cases, 5,200 yds., Muslin, at 20c., \$1,040; deposited in bank, \$4,000. *Cash sales this day*, \$170.50.
3. Bought of J. G. McKenzie & Co., Montreal, on acc't, 3 cases Prints, 3210 yds., at 10c., \$321; 4 cases do, 3,500 yds., at 15c., \$525; total, \$846. Paid for Repairs, \$50.40; Freight and Drayage, \$10.60. *Cash sales this day*, \$320.
4. Shipped T. C. Kerr & Co., Hamilton, to be sold on our account and risk, 1 case Tweed, 10 pieces, 350 yds., at \$1.50, \$525. Paid Insurance on same, \$11.50. *Cash sales this day*, \$240.70.
5. Sold A. B. Champion, on acc't, 1 case muslin, 1,300 yds. at 25c., \$325; 12 pieces Tweed, 420 yds., at \$1.25, \$525; total, \$850. Paid for printing Bills, \$8.40. *Cash sales this day*, \$324.20.
6. Had P. R. Sanderson's Note of Oct. 15th, discounted at Merchants' Bank—face of Note, \$500; Discount off for unexpired time, 12 days, at 8 per cent., \$1.32; *Cash* received, \$498.68. Paid Cartage, \$1.50.
8. Received from Thos. Brown & Co., Montreal, to be sold on their account and risk, 5 cases, 100 pieces, Tweed,

- 3,250 yds., at \$1.20, \$3900. Paid Freight and Drayage on same, \$12.40. Deposited in Bank, \$2,000. Bought of A. B. Campion, on acc't, 10 chests Gunpowder Tea, 1,250 lbs. net, at 50c., \$625. *Cash sales*, \$325.30.
9. Bought of McInnis Bros., Hamilton, 7 pieces Canadian Tweed, 225 yds., at \$1, \$225. Gave in payment my Draft, at 10 days sight, on A. B. Campion, payable at the Merchants' Bank, for the full amount. Paid Freight, \$8.40.
 10. Sold D. E. Fulford, Kingston, on acc't, 1 case Prints, 930 yds., at 12½c., \$116.25; 2 pieces Canadian Tweed, 64 yds., at \$1.25, \$80; total, \$196.25. Paid for cleaning store, \$4.50; for Wood, \$60. *Cash sales*, \$425.65.
 11. Remitted J. G. McKenzie & Co., Montreal, Cash on acc't, \$446, and our Acceptance at 10 days' sight for the balance of their account, \$400. Paid for Advertising, \$20.40. The Draft given McInnis Bros. on A. B. Campion, has been protested for non-acceptance, and returned to us, by the Merchants' Bank. Paid the face of the Draft and protest fee in Cash, \$226.06.
 12. Bought of Gordon, Mackay & Co., Toronto, on acc't, 10 pieces Scotch Tweed, 350 yds., at \$1.30, \$455. Accepted A. R. McMaster's Draft of the 8th inst., payable 10 days after date, at the Merchants' Bank, in Toronto, for \$500.
 13. Sold A. B. Campion, for his Note at three months, 1 case Prints, 840 yds., at 12½c., \$105. Paid Gordon, Mackay & Co., in full of account, per check, \$455.
 15. Bought of J. G. McKenzie & Co., Montreal, 10 cases Canadian Tweed, 120 pieces, 3,720 yds., at \$1, \$3,720. Gave in payment our Note at 30 days for \$2,000, check for \$720, balance to remain on account. *Cash sales this day*, \$340.50.
 16. Sold A. B. Campion, for Note at 30 days, from Thos. Brown & Co.'s Consignment, 50 pieces Tweed, 1,625 yds., at \$1.50, \$2,437.50. Paid Clerks on acc't, per check, \$150. *Cash sales*, \$150.60.
 17. Gave A. R. McMaster Draft at 30 days, on D. E. Fulford, for amount of his account, \$196.25. *Cash sales this day*, \$390.50.
 18. Received from A. B. Campion, Cash in full of acc't, \$225. Sold D. E. Fulford, 4 pieces Scotch Tweed, 140 yds., at \$1.50, \$210. Received in payment, check for \$100,

- balance on account. Paid sundry items of Expense, per check, \$12.50.
19. P. R. Sanderson's Note of Oct. 15th, 1876, which was discounted at the Merchants' Bank on the 6th inst., fell due yesterday, was protested for non-payment, and returned to us. Paid the Note and protest fee, per check, \$501.06. Sold G. H. Ireland, for Note at one month, the balance of Thos. Brown & Co.'s Consignment, 50 pieces Tweed, 1625 yds., at \$1.30, \$2112.50. Deposited in Bank, \$500. Remitted A. R. McMaster, Cash, \$200, and our Note at 30 days for \$300, with which to retire Draft for \$500, falling due on the 21st inst.
 20. Rendered Thos. Brown & Co. an Account Sales of their Consignment of the 8th inst. Our Commission, at 2 per cent., \$91; Thos. Brown & Co.'s net proceeds, \$4,446 60. Total debit to Thos. Brown & Co.'s Consignment, \$4,537.60. *Cash sales*, \$318.
 22. Bought of A. B. Campion, on acc't, 200 bbls. Goderich Salt, at \$1.25, \$250. Paid Freight on same, per check, \$12. Deposited in Bank, \$500.
 23. Shipped T. C. Kerr & Co., Hamilton, to be sold on our account and risk, 150 bbls. Goderich Salt, at \$1.50, \$225. Paid Freight on same, \$12.35. *Cash sales*, \$278.45.
 24. Paid our Acceptance of the 11th inst., favor of J. G. McKenzie & Co., due this day, per check, \$400. Sold D. E. Fulford, on acc't, 50 bbls. Goderich Salt, at \$1.75, \$87.50. Deposited in Bank, \$500.
 26. Received from T. C. Kerr & Co., Hamilton, an Account Sales of the Tweed shipped them on the 4th inst. Net proceeds, which have been entered to our credit, \$586.40. W. J. Peterson has renewed his Note of July 23d, 1876, due to-day, by giving a new note at 30 days for the old one, and interest thereon. Face of old Note, \$1000; Interest, \$40.66; face of new Note, \$1040.66. *Cash sales*, \$265.40.
 27. Had A. B. Campion's Note of the 16th inst. discounted at Merchants' Bank, and net proceeds placed to our credit. Face of Note, \$2437.50; Discount for 22 days at 8 per cent., \$11.75; net proceeds, \$2,425.75. Accepted J. G. McKenzie & Co.'s Draft in favor of R. W. Easton, at 30 days sight, for \$1,000, in full of account.

29. Received from P. R. Sanderson, check for \$501.06 in full for his Note of Oct. 15th, 1876, and protest charges thereon, paid by us on the 19th inst. Gave A. R. McMaster a Sight Draft on T. C. Kerr & Co. for \$343.75, in payment of account. *Cash sales*, \$178.40.
30. Paid Thos. Brown & Co.'s Sight Draft upon us, favor of S. Clare, for \$446.60, per check. Paid 1 month's rent of store, \$75; Clerk hire, \$240.

Inventory of effects not shown on Ledger:—

Merchandise unsold	-	-	\$5221 88
Shipment to Kerr & Co., No. 2	-	-	225 00
<i>Total Net Gain</i>	-	-	\$453 70
<i>Geo. Wilson's share of Net Gain</i>	-	-	276 55
<i>H. Cummings'</i>	"	"	177 15

JOURNAL DAY BOOK.—SET. VI.

Observe particularly the following form, that you may be able to express, in this manner, any conceivable transaction, combining all the essential points of the separate Day Book and Journal. Where more practical forms, for the purpose of condensation, are not in use, the JOURNAL DAY BOOK meets with great favor, as being both plain and practical.

In writing up this book, make your Journal entry first, from the record of transactions; then write the explanation immediately under it in a smaller hand, commencing about half way between the centre of the page and the date column, as illustrated in the following

FORM OF JOURNAL DAY BOOK.

JANUARY 1, 1877.

(1)

Geo. Wilson and Henry Cummings have this day entered into co-partnership as Dry Goods, Grocery and Commission Merchants, under the firm name of "Wilson & Cummings," agreeing to share gains and losses in proportion to capital invested.

" "			
Sundries, Dr. to Geo. Wilson	For effects invested.		6300 00
Cash	As per C. B.	2800 00	
Merchandise	As per Inventory	3000 00	
Bills Receivable	P. R. Sanderson's Note, as per B. B.	500 00	
" "			
Sundries, Dr. to Henry Cummings	For effects invested.		4035 51
Cash	As per C. B.	3000 00	
Bills Receivable	W. J. Peterson's Note, as per B. B., bearing interest at 8 per cent.	1000 00	
Interest	Accrued on above Note to date	35 51	
2			
Merchandise Dr.	To A. R. McMaster	1040 00	
	Bought from him on acc't, 4 cases Muslin, 5,200 yds., at 20c.		1040 00
" "			
Cash Dr.	To Merchandise	170 50	
	Sales this day, taken from Cash Box.		170 50
Amount forward		11546 01	11546 01

BOOK-KEEPING.

(2)

JANUARY 2, 1877.

Brought forward	11546 01	11546 01
Merchants' Bank Dr.	4000 00	
To Cash		4000 00
Amount deposited.		
<u>3</u>		
Merchandise Dr.	846 00	
To J. G. McKenzie & Co.		846 00
Bought on acct,		
3 cases Prints, 3,210 yds.,		
at 10c. - - - - -	\$321 00	
4 cases Prints, 3,500 yds.,		
at 15c. - - - - -	525 00	
" - - - - -		
Expense Dr.	61 00	
To Cash		61 00
Paid for repairs - - -	\$50 40	
Freight and drayage - -	10 60	
" - - - - -		
Cash Dr.	320 00	
To Merchandise		320 00
Sales this day, from till.		
<u>4</u>		
Ship't to Kerr & Co., No. 1, Dr.	536 50	
To Merchandise		525 00
" Cash		11 50
Shipped to J. C. Kerr & Co., to be		
sold on our account and risk—		
1 case Tweeds, 10 pcs, 350		
yds., at \$1.50 - - - -	\$525 00	
Paid Insurance on same - -	11 50	
" - - - - -		
Cash Dr.	240 70	
To Merchandise		240 70
Sales this day.		
	<u>17550 21</u>	<u>17550 21</u>

NOTE.—The foregoing form is considered sufficient to illustrate the mode of entering transactions in this book. Observe the same form throughout the remainder of the Set, Journalizing the transaction first, and giving the explanation immediately under it.

SET VII.—GROCERY BUSINESS.

BOOKS TO BE USED.—JOURNAL DAY BOOK, CASH BOOK, BILL BOOK, INVOICE BOOK, SALES BOOK AND LEDGER.

Forms and explanations of those books not before used will be found immediately after the Set.

JANUARY 2, 1877.

A. R. Sanderson and Wm. Golden form a co-partnership for the purpose of conducting the Wholesale and Retail Grocery and Produce Business, agreeing to share gains and losses equally.

A. R. Sanderson invests—

Merchandise, as per Inventory	-	-	\$5000 00
Balance of account due from A. S. Austin			870 00
Cash, as per C. B.	-	-	4130 00

Wm. Golden invests—

Cash, as per C. B.	-	-	-	\$9000 00
Balance of account due from H. Gordon	-			1000 00

Engaged James Spry, Wm. Active, George Storey and Isaac Porter, as clerks, at \$480 each per year, salaries payable monthly.*

3. Sold T. C. Kerr, St. Catharines, on his Acceptance at 10 days, 5 bbls. Crushed "A" Sugar, 1000 lbs., at 12½c.; 8 bbls. Strong Bakers' Flour, at \$6; 10 bbls. Spring Flour, at \$5.50; 10 bbls. Extra, at \$7; 15 bbls. Superior Extra, at \$7.25. *Cash sales this day, \$120.30.*
4. Paid for advertising business in daily papers, \$115.60. Sold A. S. Austin, Guelph, on acc't, 5 bbls. Salmon Trout, at \$14; 20 bbls. Herrings, at \$4; 40 bbls. Superior Extra Flour, at \$7.75. Paid for set of books for store, \$15.60. *Cash sales to-day, \$170.55.*
5. Bought of Smith & Keighley, Toronto, on acc't, 650 lbs. Java Coffee, at 32c.; 1500 lbs. No. 2 Sugar, at 9c.; 965 lbs. Uncolored Japan Tea, at 56c.; 560 lbs. Young Hyson, at 74c.; 750 lbs. Prince of Wales' Tobacco, at 30c. Paid Wm. Active, on account of wages, \$5.50. *Cash sales, \$150.*

* As no value is exchanged, a memorandum of this in the Journal is all that is required.

6. Deposited in Merchants' Bank, \$12000. Had T. C. Kerr's Acceptance of the 3rd inst. discounted at Bank. Face of Acceptance, \$——; Discount off, at 8 per cent., \$——; Cash received, \$——.

NOTE.—Observe the manner in which this transaction is entered in the C. B. Instead of entering only the amount actually received, and debiting Discount in the Journal, the full amount of the Note is entered on the Dr. side of the C. B., as though it had actually been received, and the Discount is entered on the Cr. side. See entry in C. B.

8. Bought of Rimmer, Gunn & Co., Montreal, on 4 months' credit, or 4 per cent. off for cash, 2,400 lbs. Crushed "A" Sugar, at 12c.; 1,500 lbs. Eleme Figs, at 15c.; 1,350 lbs. S. S. Almonds, at 21c. Paid freight on above, \$10.70. Wm. Golden withdrew on acc't, \$150. *Cash sales*, \$186.50.
9. Bought of J. A. Mathewson, Montreal, on 3 months' credit, or 3 per cent. off for cash, 100 boxes Layer Raisins, at \$2.25; 5 bbls. Zante Currants, at \$12.50. Paid freight on same, \$5.40. *Cash sales*, \$216.80.
10. Sold P. D. Conger, Toronto, on 30 days' credit, 2 bags Java Coffee, 250 lbs., at 40c.; 2 half chests Colored Japan, 125 lbs., at 70c.; 500 lbs. Crushed "A" Sugar, at 13c. Received from A. S. Austin, cash on acc't, \$500. *Cash sales*, \$265.30.
11. Received from H. Gordon, his Note at 3 months, for \$400, to be applied on account. Paid for sundry expenses, \$12.50. *Cash sales*, \$240.50.
12. Sold T. C. Kerr, St. Catharines, on his Note at 2 months, 10 bbls. White Fish, at \$6; 10 bbls. Salmon, at \$14; 3 bags Rio Coffee, 136, 12, 151, 15, 153, 17,*—396 lbs. net, at 40c. *Cash sales*, \$175.

* The large numbers, as 136, represent the gross weight, and the small numbers to the right, as 12, the number of lbs. tare.

13. Bought of J. Carruthers & Co., Kingston, for Cash, 10 bbls. Golden Syrup, at \$24.40; 4 bbls. Bordeaux Vinegar, \$10.50; 100 bbls. Salt, at \$1.50. Remitted Rimmer, Gunn & Co., Montreal, Bank Draft, in full for their invoice of the 8th inst.; less 4 per cent. discount. Paid Cash for the Draft, $\frac{1}{8}$ per cent. Exchange, and the necessary stamps. A. R. Sanderson withdrew on acc't, \$200. Paid Isaac Porter on acc't of salary, \$12.

NOTE.—In the above remittance the 4 per cent. discount amounts to \$31.86, which, deducted from the face of the invoice, leaves \$764.64,

the amount of the face of the Draft. The stamps required (3c. on every \$100 or fraction thereof), amount to 24c., and the exchange to 96c. The cash actually paid out is, face of Draft, \$764.64; Stamps, 24c.; Exchange, 96c.; total, \$765.84—and the difference between this and the face of the invoice, \$796.50, is \$30.66, the amount actually gained by paying this bill within 30 days.

The entry is made in the C. B. similar to the Acceptance discounted on the 6th inst. The full amount of invoice is entered on the Cr. side, and the discount on the Dr. side. See entry in C. B.

15. Sold H. Gordon, Barrie, on acc't at 30 days, 10 bbls. Apples, at \$4.50; 10 bbls. Mess Pork, at \$15; 25 bbls. Spring Bakers' Flour, at \$7. Had H. Gordon's Note of the 11th inst. discounted at Merchants' Bank, and net proceeds left to our credit. Face of Note, \$400; Discount off, at 8 per cent. per annum, \$7.80; Net proceeds, \$392.20. *Cash sales, \$245.60.*

NOTE.—The net proceeds of the above note being left in the Bank to the Cr. of the firm, no entry is made in the C. B. The Journal entry is,—Bank Dr., \$—; Discount Dr., \$—; To Bills Rec., \$— . See Journal Day Book.

16. Accepted Smith & Keighley's Draft, at 10 days, for the amount of their invoice of the 5th inst., \$— . Paid for repairing store, \$65.75.
17. Sold P. D. Conger, Toronto, for his Acceptance at 60 days, 1200 lbs. Cheese, at 11c.; 20 bbls. Extra Bakers' Flour, at \$7.50; 30 bbls. Superior Extra do, at \$8; 10 bbls. Salmon Trout, at \$14. Remitted J. A. Mathewson, Montreal, Bank Draft in full for his invoice of the 9th inst., less 3 per cent. discount. Gave check for Draft, $\frac{1}{8}$ per cent. Exchange, and necessary stamps. *Cash sales, \$180.70.*
18. Received from H. Gordon, Cash on acc't, \$400. Had P. D. Conger's Acceptance of the 17th inst. discounted at Merchants' Bank, at 8 per cent. per annum, and net proceeds left to credit. Paid one quarter's rent of store, \$200. *Cash sales, \$195.*
19. Bought of H. A. Nelson & Sons, Toronto, \$200 doz. Corn Brooms, at \$3.25; 20 doz. at \$4; 20 doz. at \$4.25. Gave in payment check on Merchants' Bank for the amount. Deposited in Merchants' Bank, \$200.
20. Sold A. S. Austin, Guelph, on acc't, 15 bbls. Salmon Trout, at \$14; 8 bbls. White Fish, at \$6; 25 bbls. Herrings, at \$4. Paid sundry items of expense, \$25.60. Received from H. Gordon, Cash on acc't, \$20. *Cash sales, \$225.*

22. Gave H. A. Nelson & Sons a Draft at 10 days, on H. Gordon, for \$200. Bought of Cramp, Torrance & Co., Toronto, on acc't at 60 days, or 3 per cent. off for cash, 12 bags Rio Coffee, 1560 lbs., at 32c.; 10 chests Gunpowder Tea, 1475 lbs., at 60c.; 10 boxes Western Leaf Tobacco, at \$41.50. *Cash sales*, \$216.40.
23. Accepted A. S. Austin's Draft, at 3 days' sight, for \$200. Received from Henry Gordon, his Note at 3 months, for \$300. Paid James Spry, on acc't of wages, \$20.
24. Sold T. C. Kerr, St. Catharines, on acc't, 425 lbs. Factory Cheese, at 12c.; 4 boxes Prince of Wales' Tobacco, 114, 10, 116, 10, 118, 20, 120, 20 — 390 lbs. net, at 32c. Had H. Gordon's Note of the 23rd inst., discounted at Merchants' Bank. Face of Note, \$——; Discount off, at 8 per cent., \$——; Cash received, \$——. Received from A. S. Austin, to be applied on acc't, 600 bbls. Goderich Salt, at \$1.50. *Cash sales* \$145.25.
25. Accepted Cramp, Torrance & Co.'s Draft, at 60 days, for amount of their invoice of the 22nd inst., \$——. Received from H. Gordon, Cash to balance his acc't, \$——. A. R. Sanderson withdrew on acc't, \$145.
26. Bought of Smith & Keighley, Toronto, 20 half chests Gunpowder Tea, 1145 lbs., at 66c.; 10 do Colored Japan, 660 lbs., at 60c.; 10 bbls. Standard Syrup, 370 galls., at 34c. Paid them Cash, \$1000, balance to remain on acc't. Paid J. Spry, on acc't of salary, \$10. *Cash sales*, \$218.20.
27. Bought of Rimmer, Gunn & Co., on 3 months' credit, 60 bbls. Crushed "A" Sugar, 12000 lbs., at 10½c.; 75 bbls. Yellow Sugar, 15000 lbs., at 8c.; 50 bbls. Porto Rico Sugar, 10000 lbs., at 7c. Paid Taxes, \$10.60; for cleaning store, \$4.50.
29. Sold P. D. Conger, Toronto, for Note at 3 months, 30 bbls. Salmon Trout, at \$14. Paid our Acceptances due this day, per check,—one, favor of Smith & Keighley, and the other favor of A. S. Austin.
30. Received from A. S. Austin, Cash on acc't, \$100. Bought of G. C. Winger, Brighton, for Cash, 10 bbls. Salmon Trout, at \$9; 25 bbls. White Fish, at \$5; 1 bbl. Herrings, at \$3. Wm. Golden withdrew on acc't, \$215. *Cash sales*, \$275.60.

31. Paid Clerks in full for services to date, per check. Paid for Advertising, per check, \$56.20.

NOTE.—Make two entries of settlement with Clerks. First, debit Expense \$160, and credit each Clerk \$40, amount of wages for the month. Next, ascertain the amount actually due each, and make a second entry debiting the Clerks, and crediting the Bank with the amount paid.

Merchandise remaining unsold, as per Inventory Book, \$14550.

REMARKS ON SET VII.

In this Set is represented a practical method of keeping books which, with slight variation, is adapted to almost every kind of business. The Cash Book, Invoice Book and Sales Book are used as books of original entry. The Journal Day Book and Bill Book are kept after the form adopted in the preceding Set. It will be observed that this mode of keeping accounts lessens the explanations required, and greatly facilitates reference to the several entries; and by taking the totals of certain accounts, instead of each separate item, the labor of posting is very much reduced. Although certain accounts, as Cash, Merchandise and Expense, are not posted till the end of each month, Personal accounts can be kept fully posted and ready for settlement at any time—a great desideratum in many business houses; and most of the work connected with the books can be done as the transactions occur, thereby preventing the accumulation of work at periodic intervals, as is the case when the Invoice Book, Sales Book and Cash Book are Journalized at the end of each month.

The books should be written up, as in the preceding Set. All the entries in the different books for one day should be made before any of the succeeding day. To avoid confusing the pupil with too many operations at once, it is better to omit posting until all the other work of the Set is completed, but in actual business the posting, as well as writing the entries, should be done from day to day.

JOURNAL DAY BOOK.

The form of this book is the same as that of Set VI, and requires no further explanation. It is used for such miscellaneous entries only as have no special book appropriated to them.

INVOICE BOOK.

All purchases of merchandise are entered in this book. The form adopted in this Set is to copy the invoices in full. This gives a book record of the details of merchandise purchased, in case the original invoice should be lost or destroyed.

It is as convenient, and saves a great amount of writing, to paste the original invoices into a large book made for the purpose. In some business houses, where the invoices are long, they are filed and numbered, and only an abstract of them entered in this book, with the number for reference. It is more convenient to refer to original invoices, by means of an index to a book in which they are pasted, than by seeking them from files.

In whatever form the Invoice Book is kept, every entry affecting the debit side of Merchandise Account should originate here; when this is done it becomes a direct check upon the Dr. side of the Merchandise Account in the Ledger.

Merchandise bought on account is posted from this book directly to the credit of the person's account from whom bought, and when bought for a note or acceptance, it is posted directly to the credit of Bills Payable, without passing through the Journal.

Merchandise purchased for cash is entered in this book, and also in the Cash Book. It is not posted until the end of the month, when the total amount is brought from the C. B., and added to the footing of this book, and then posted in total to the debit of Merchandise Account.

 SALES BOOK.

All sales of merchandise are entered in this book. The amounts of goods sold on account and for notes are placed in the outer column, and posted directly to the debit of the purchaser's account, or to the debit of Bills Receivable Account, in the Ledger.

A merchandise column is kept in the Cash Book, in which all cash sales of merchandise are entered, therefore these are not entered in the Sales Book until the end of the month, when the total cash sales are brought from the Cash Book and

added to the total footing of the Sales Book, and all posted, in one amount, to the credit of the Merchandise Account in the Ledger.

Wholesale houses generally enter cash sales in detail, as a memorandum, in the Sales Book, but do not extend such entries in the outer column, as they are usually posted from the C. B. This system is necessary when large sales are effected, for reference, and to guard against error, but it cannot be carried into practical effect in a retail business, on account of the number of petty sales that occur during the day, the amount of which is ascertained at night, by counting the money in the drawer.

CASH BOOK.

As the following Cash Book is the book of original entry for all such transactions as are entered upon it, great care is necessary in making these entries.

They should be made in such a manner that any person may be able to determine what account was intended to be debited or credited for the money paid or received. For this purpose the following RULE should be observed :

When money is received, write the name of the account to be credited for it, next the folio or date column on the left side, and the words of explanation, on the same line a little to the right. When money is paid write the *name* of the account to be debited for it, next the folio or date column on the right side, and the words of explanation on the same line, a little to the right.

The Ledger titles should be kept in a perpendicular column, separated by a slight space from the words of explanation. And it adds greatly to the appearance of the book to begin the words of explanation all on a perpendicular line made by a light pencil mark, and to write them one-half smaller than the Ledger titles.

Post items from the Cash Book, Journal Day Book, Invoice Book, and Sales Book, in the same order, as regards the dates when the transactions were entered.

This is a very convenient form for a Cash Book to be kept in connection with a general merchandise business. The feature of *special columns* may be extended, if desirable.

It will be seen that all cash entries, debit and credit, except

sales of merchandise, are taken to the Ledger from this book, together with all accounts producing or costing cash.

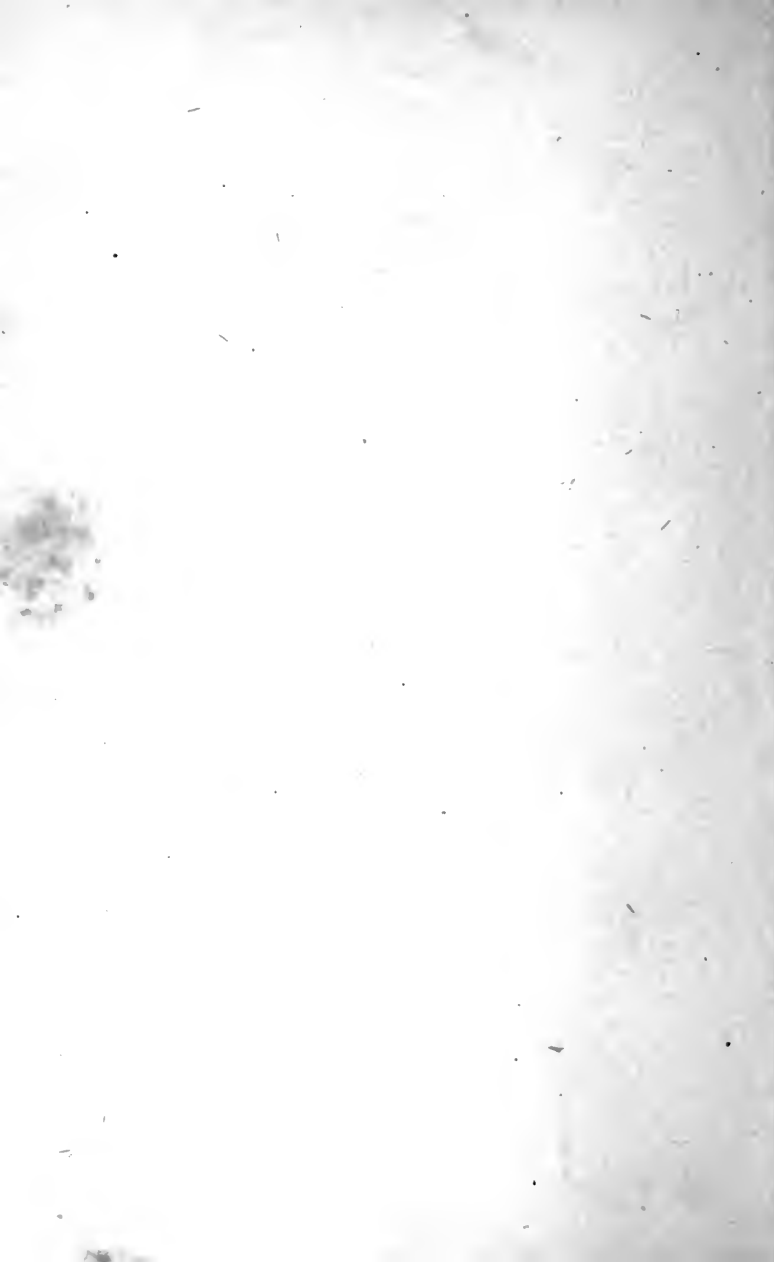
The columns headed "Merchandise" and "Expense" will be found very convenient for posting. Should the cash transactions of a month extend over several pages, the footings of these columns are brought forward to the end of the month, and posted in total. The check marks in the column following dates, are made to indicate that the amounts opposite, in the "Merchandise" and "Expense" columns are not to be posted, and the figures are the pages of the accounts in the Ledger to which the amounts in the "Sundries" column opposite, have been posted. The method of posting from the Cash Book is extremely simple.

The amounts in the "Sundries" column on the Dr. side are posted to the *credit* of their respective accounts—the page of the Ledger being indicated in the folio column, and the amounts in the "Sundries" column, on the Cr. side, to the *debit* of their respective accounts. The footing of the "Merchandise" column, on the Dr. side, at the end of the month, is not posted, but carried to the Sales Book and added to the other sales, and posted therefrom. The total footing of the "Expense" column, on the Cr. side, is posted to the *debit* of Expense Account. The Cash received, or amount of the Dr. side of the Cash Book, is then posted to the *debit* of Cash Account, and the total footing of the Cr. side, or cash disbursed, to the *credit* of Cash Account in the Ledger.

As the *debit* side of the Cash Book contains the *credits* of all accounts producing cash, and the *credit* side the *debits* of all accounts costing cash, it will be seen that when the above posting is completed a double entry is effected.

BILL BOOK.

The Bill Book in this set is not used as a book of *original entry* to post from, but as an *auxiliary*. To save room we have not given it. No difficulty, however, will be experienced by the pupil in supplying it, as he has already had two examples of its form and use in former parts of this work. By the addition of a few more columns, it may be so kept as to post from, and thus relieve the Journal Day Book from some entries which must otherwise be made there.



SET VII.

WITH

JOURNAL DAY BOOK,

INVOICE BOOK,

SALES BOOK,

CASH BOOK,

AS BOOKS OF ORIGINAL ENTRY ;

THE POSTING TO THE LEDGER BEING DONE DIRECTLY
FROM THEM.

JOURNAL DAY BOOK.—SET VII.

TORONTO, January 2, 1877.

(1)

A. R. Sanderson and Wm. Golden have this day entered into co-partnership, for the purpose of conducting business, as defined in their Articles of Co-partnership of this date.

3 *A. S. Austin Dr.

870 00

1 To A. R. Sanderson
For balance from old account.

870 00

* The Cash and Merchandise invested are posted from the Invoice and Cash Books, and therefore do not require to be entered here.

3 H. Gordon Dr.

1000 00

1 To Wm. Golden
For balance due from old account.

1000 00

Engaged Jas. Spry, Wm. Active, Geo. Storey and Isaac Porter, as Clerks, at \$480 each per year, salaries payable monthly.

2 Bills Rec. Dr.

400 00

3 To H. Gordon
Received from him Note, as per B. B., to be applied on account.

400 00

2 Merchants' Bank Dr.

392 20

6 Discount

7 80

2 To Bills Rec.

400 00

Had H. Gordon's Note of the 11th inst., discounted at Bank, and net proceeds left to our credit.

4 Smith & Keighley Dr.

1522 80

2 To Bills Payable

1522 80

Accepted their Draft at 10 days, for the amount of Invoice of the 5th inst.

Amount forward

4192 80 4192 80

BOOK-KEEPING.

(2)

TORONTO, January 17, 1877.

	Brought forward	4192 80	4192 80
4	J. A. Mathewson Dr.	237 50	
2	To Merchants' Bank		279 31
6	" Discount		8 19
	Remitted him Bank Draft for Invoice of 9th inst. Discount, \$3.62; less Exchange, 34c.; and Stamp, 9c.		
	10		
2	Merchants' Bank Dr.	653 00	
6	Discount	9 00	
2	To Bills Receivable		662 00
	P. D. Conger's Acceptance of 17th inst. discounted, proceeds passed to our credit.		
	22		
3	H. A. Nelson & Sons Dr.	200 00	
3	To H. Gordon		200 00
	For our Draft at 10 days on H. Gor- don.		
	23		
3	A. S. Austin Dr.	200 00	
2	To Bills Payable		200 00
	Accepted his Draft at 3 days' sight.		
	"		
2	Bills Rec. Dr.	300 00	
3	To H. Gordon		300 00
	For his Note at 3 months.		
	25		
4	Cramp, Torrance & Co. Dr.	1799 20	
2	To Bills Payable		1799 20
	Accepted their Draft at 60 days, for amount of Invoice of 22nd inst.		
	29		
2	Bills Payable Dr.	1722 80	
2	To Merchants' Bank		1722 80
	Paid by check our Acceptances, favor of Smith & Keighley, for \$1522.80, and favor of A. S. Austin, \$200.		
	Amount forward	9364 30	9364 30

TORONTO, January 31, 1877.

(3)

	Brought forward	9364	30	9634	30
6	Expense Dr.	160	00		
5	To James Spry			40	00
5	“ William Active			40	00
5	“ George Storey			40	00
5	“ Isaac Porter			40	00
	For the month's wages.				
5	James Spry Dr.	10	00		
5	William Active “	34	50		
5	George Storey “	40	00		
5	Isaac Porter “	28	00		
2	To Merchants' Bank			112	50
	For amount due them severally, paid per check.				
		9636	80	9636	80

INVOICE BOOK.—SET VII.

TORONTO, January 2, 1877.

(1)

1	A. R. Sanderson, Investment Merchandise, as per inventory			5000 00
	5			
4	Smith & Keighley, Toronto			
	650 lbs. Java Coffee at \$.32	208 00		
	1500 " No. 2 Sugar " .09	135 00		
	965 " Uncol'd Japan Tea " .56	540 40		
	560 " Young Hyson " .74	414 40		
	750 P. of W. Tobacco " .30	225 00	1522 80	
	8			
4	Rimmer, Gunn & Co., Montreal			
	2400 lbs. Crushed "A" Sugar at \$.12	288 00		
	1500 " Eleme Figs " .15	225 00		
	1350 " S. S. Almonds " .21	283 50	796 50	
	4 months' cr. or 4 per cent. off for cash			
	9			
4	J. A. Mathewson, Montreal			
	100 bxs. Layer Raisins at \$2.25	225 00		
	5 bbls. Zante Currants " 12.50	62 50	287 50	
	3 months' cr. or 3 per cent. off for cash			
	13			
C.B.	J. Carruthers & Co., Kingston			
	10 bbls. Golden Syrup at \$24.40	244 00		
	4 " Bordeaux Vin'r " 10.50	42 00		
	100 " Salt " 1.50	150 00		
	Cash, as per C. B.			
		436 00		
	19			
Paid	H. A. Nelson & Sons, Toronto			
	200 doz. Corn Brooms at \$3.25	650 00		
	20 " " " 4.00	80 00		
	20 " " " 4.25	85 00	815 00	
2	MERCHANTS' BANK, paid per check			
	Amount forward			8421 80

(2)

TORONTO, January 22, 1877.

	Brought forward			8421 80
4	Cramp, Torrance & Co., Toronto			
	12 bags Rio Coffee.			
	1560 lbs. at \$.32	499 20		
	10 chests Gunpowder Tea,			
	1475 " " .60	885 00		
	10 bxs. Western Leaf			
	Tobacco " 41.50	415 00	1799 20	
	60 days or 2 per cent. off for cash			
	24			
3	A. S. Austin, Guelph			
	600 bbls. Goderich Salt at \$1.50		900 00	
	26			
4	Smith & Keighley, Toronto			
	20 hf-chests Gunp. Tea,			
	1145 lbs. at \$.66	755 70		
	10 " Col'd Japan,			
	660 lbs. " .60	396 00		
	10 bbls. Stand. Syrup,			
	370 gals. " .34	125 80	1277 50	
	Cash, as per C. B., \$1000.			
	30 days' credit for balance.*			
	27			
4	Rimmer, Gunn & Co., Mont'l			
	60 bbls. Crushed "A" Sugar,			
	12000 lbs. at \$.10½	1260 00		
	75 " Yellow Sugar,			
	15000 lbs. " .08	1200 00		
	50 " Porto Pico Sugar,			
	3 months 10000 lbs. " .07	700 00	3160 00	
	30			
C.B.	G. C. Winger, Brighton			
	10 bbls. Salmon Trout at \$9.00	90 00		
	25 " White Fish " 5.00	125 00		
	50 " Herrings " 3.00	150 00		
	Cash, as per C. B.	365 00		
	Cash purchases, from C. B.		14558 50	
			1801 00	
5	Total Mdse debit			16359 50

* The \$277.50 is posted directly to the credit of Smith & Keighley's account. The \$1000 is posted to the Cash account from the C. B. Or, Smith & Keighley may be credited with the whole and debited with the \$1000.

SALES BOOK.—SET VII.

TORONTO, January 3, 1877.

(1)

4	T. C. Kerr, St. Catharines			
	5 bbls. Crushed "A" Sugar,			
	1000 lbs. at \$ 12½	125	00	
	8 " Strong Baker's Flour,			
	at \$6.00	48	00	
	10 " Spring " " 5.50	55	00	
	10 " Extra " " 7.00	70	00	
	15 " Superior " " 7.25	108	75	406 75
2	BILLS REC., Acceptance at 10 days			
	4			
3	A. S. Austin, Guelph			
	5 bbls. Salmon Trout at \$14.00	70	00	
	20 " Herrings " 4.00	80	00	
	40 " Sup. Ex. Flour " 7.75	310	00	460 00
	10			
3	P. D. Conger, Toronto			
	2 bags Java Coffee,			
	250 lbs. at \$.40	100	00	
	2 hf-chests Col'd Japan,			
	125 lbs. " .70	87	50	
	500 lbs. Crushed "A" Sugar " .13	65	00	252 50
	30 days			
	12			
4	T. C. Kerr, St. Catharines			
	10 bbls. White Fish at \$6.00	60	00	
	10 " Salmon Trout " 14.00	140	00	
	3 bags Rio Coffee :			
	gross. tare.			
	136 — 12 lbs.			
	151 — 15 "			
	153 — 17 "			
	— — "			
	440 — 44 = 396 lbs. net at .40	158	40	358 40
2	BILLS REC., Note at 2 months			
	15			
3	Henry Gordon, Barrie			
	10 bbls. Apples at \$4.50	45	00	
	10 " Mess Pork " 15.00	150	00	
	25 " Sp'g Baker's Fl'r " 7.00	175	00	370 00
	30 days			
	Amount forward			1847 65
	175			

BOOK-KEEPING.

(2)

TORONTO, January 17, 1877.

	Brought forward		1847 65
3	P. D. Conger, Toronto		
	1200 lbs. Cheese at \$.11	132 00	
	20 bbls. Extra Baker's		
	Flour " 7.50	150 00	
	30 " Superior " " 8.00	240 00	
	10 " Salmon Trout " 14.00	140 00	662 00
2	BILLS REC., <i>Acceptance at 60 days</i>		
	20		
3	A. S. Austin, Guelph		
	15 bbls. Salmon Trout at \$14.00	210 00	
	8 " White Fish " 6.00	48 00	
	25 " Herrings " 4.00	100 00	358 00
	24		
4	T. C. Kerr, St. Catharines		
	425 lbs. Factory Cheese at \$.12	51 00	
	4 bxs. P. of W. Tobacco		
	lbs. tare.		
	114 — 19		
	116 — 19		
	118 — 20		
	120 — 20		
	468 — 78 = 390 lbs. net at .32	124 80	175 80
	29		
3	P. D. Conger, Toronto		
	30 bbls. Salmon Trout at \$14.00		420 00
	BILLS REC., <i>Note at 3 months</i>		
			3463 45
	Cash sales from C. B.		3226 70
5	Total Mdse credit		6690 15

CASH BOOK.

BOOK-KEEPING.

CASH BOOK.

Dr.

CASH.

1877.	F.			Mdse.	Sundries.
Jan.	2	1	A. R. Sanderson Investment		4130 00
"	"	1	Wm. Golden "		9000 00
"	3	✓	Mdse Cash sales this day	120 30	
"	4	✓	" " "	170 55	
"	5	✓	" " "	150 00	
"	6	2	Bills Rec. G. W.'s Acceptance discounted		406 75
"	8	✓	Mdse Sales this day	186 50	
"	9	✓	" "	216 80	
"	10	3	A. S. Austin On account		500 00
"	"	✓	Mdse This day's sales	265 30	
"	11	✓	" "	240 50	
"	12	✓	" "	175 00	
"	13	6	Discount R. G. & Co.'s Invoice of the 8th		30 66
"	15	✓	Mdse Sales this day	245 60	
"	17	✓	" "	180 70	
"	18	3	H. Gordon On account		400 00
"	"	✓	Mdse Sales this day	195 00	
"	20	3	H Gordon On account		20 00
"	"	✓	Mdse Sales this day	225 00	
"	22	✓	" "	216 40	
"	24	2	Bills Rec. H. G.'s Note discounted		300 00
"	"	✓	Mdse This day's sales	145 25	
"	25	3	H. Gordon In full of account		50 00
"	26	✓	Mdse Sales to-day	218 20	
"	30	3	A. S. Austin On account		100 00
"	"	✓	Mdse This day's sales	275 60	
		S.B.	Total Mdse credits	3226 70	3226 70
		1	" Cash debits		18164 11

BOOK-KEEPING.

SET VII.

(2)

CASH.

CR.

1877.	F.			Exp'nse	Sundries.
Jan.	4	✓	Expense	Advertising in Daily Papers	115 60
"	"	✓	"	Set of books for store	15 60
"	5	5	Wm. Active	On account of wages	5 50
"	6	2	Merch. Bank	Deposited	12000 00
"	"	6	Discount	On G. W.'s Acceptance	89
"	8	6	Freight	On Goods from R. G. & Co.	10 70
"	"	1	Wm. Golden	Withdrew on acc't	150 00
"	9	6	Freight	On Goods from J. A. M.	5 40
"	11	✓	Expense	Sundry items	12 50
"	13	L. B.	Mdse	J. C. & Co.'s Invoice	436 00
"	"	5	Isaac Porter	On account of salary	12 00
"	"	1	A. R. Sanderson	Withdrew on acc't	200 00
"	"	4	Rimmer, Gunn & Co.	Full for Invoice of 8th inst.	796 50
"	16	✓	Expense	Repairing store	65 75
"	18	✓	"	Quarter's rent of store	200
"	19	2	Merch. Bank	Deposited	200 00
"	20	✓	Expense	Sundry items	25 60
"	23	5	Jas. Spry	On account of wages	20 00
"	24	6	Discount	On H. G.'s Note	6 05
"	25	1	A. R. Sanderson	Withdrew on acc't	145 00
"	26	L. B.	Mdse	Part of S. & K.'s Invoice	1000 00
"	"	5	Jas. Spry	On account of salary	10 00
"	27	✓	Expense	Taxes, \$40.00; cleaning store, \$4.50	45 10
"	30	L. B.	Mdse	G. C. W.'s Invoice	365 00
"	"	1	W. Golden	Withdrew on acc't	215 00
	6		Total Expense debits	480 15	480 15
	1		" Cash credits		16053 19
			Balance		2105 92
					18164 11

LEDGER—SET VII.

(1)

DR.

A. R. SANDERSON.

CR.

1877				1877			
Jan. 13	To Cash, C.B.	2	200 00	Jan. 2	By Cash, C.B.	1	4130 00
" 25	" " C.B.	2	145 00	" 2	" Mdse, I.B.	1	5000 00
" 31	" Balance		11774 76	" 2	" A. S. Aus-		
				" 31	tin, J.	1	870 00
					" Loss & Gain		2119 76
			12119 76				12119 76

WILLIAM GOLDEN.

1877				1877			
Jan. 8	To Cash, C.B.	2	150 00	Jan. 2	By Cash, C.B.	1	9000 00
30	" " C.B.	2	215 00	" 2	" H. Gordon.	1	1000 00
31	" Balance		11754 75	" 31	" J.		
					" Loss & Gain		2119 75
			12119 75				12119 75

CASH.

1877				1877			
Jan. 31	To Sundries		18164 11	Jan. 31	By Sundries,		16058 19
	C.B.	1		" 31	C.B.	2	
					" Balance		2105 92
			18164 11				18164 11

BOOK-KEEPING.

(2)

DR.

BILLS RECEIVABLE

CR.

1877				1877					
Jan.	3	To T. C. Kerr, S.B.	1	406 75	Jan.	6	By Cash, C.B.	1	406 75
"	11	" H. Gordon, J.	1	400 00	"	15	" Sundries, J.	1	400 00
"	12	" T. C. Kerr, S.B.	1	358 40	"	18	" " J.	2	662 00
"	17	" P. D. Con- ger, S.B.	2	662 00	"	24	" Cash, C.B.	1	300 00
"	23	" H. Gordon, J.	2	300 00	"	31	" Balance		778 40
"	29	" P. D. Cou- ger, S.B.	2	420 00					
				2547 15					2547 15

MERCHANTS' BANK.

1877			1877		
Jan. 6	To Cash, C. B.	2 12000 00	Jan. 17	By J. A. Math-	
" 15	" B. Rec., J.	1 392 20	" "	ewson, J.	2 279 31
" 18	" " " J.	2 653 00	" 19	" Mdse, I. B.	1 815 00
" 19	" Cash, C. B.	2 200 00	" 29	" B. Pay., J.	2 1722 80
			" 31	" Sundries, J.	3 112 50
				" Balance	10315 59
		13245 20			13245 20

BILLS PAYABLE.

[illegible]

BOOK-KEEPING.

(3)

DR.

A. S. AUSTIN.

CR.

1877					1877				
Jan.	2	To A. R. San-			Jan.	10	By Cash, C. B.	1	500 00
		derson, J.	1	870 00		24	" Mdse., I. B.	2	900 00
"	4	" Mdse, S. B.	1	460 00	"	30	" Cash, C. B.	1	100 00
"	20	" " S. B.	2	358 00	"	31	" Balance		388 00
"	23	" B. Pay, J.	2	200 00					-
				1888 00					1888 00

HENRY GORDON.

1877					1877				
Jan.	2	To H. Golden,			Jan.	11	By B. Rec., J.	1	400 00
		J.	1	1000 00	"	18	" Cash, C. B.	1	400 00
"	15	" Mdse., S. B.	1	370 00	"	20	" " C. B.	1	20 00
					"	22	" H. A. N. &		
							Son, J.	2	200 00
					"	23	" B. Rec., J.	2	300 00
					"	25	" Cash, C. B.	1	50 00
				1370 00					1370 00

H. A. NELSON & SON.

1877					1877				
Jan.	22	To H. Gordon,	2	200 00	Jan.	31	By Balance		200 00
		J.							

P. D. CONGER.

1877					1877				
Jan.	10	To Mdse., S. B.	1	252 50	Jan.	17	By Bills Rec.,		
"	17	" " S. B.	2	662 00			S. B.	2	662 00
"	29	" " S. B.	2	420 00	"	29	" " S. B.	2	420 00
					"	31	" Balance		252 50
				1334 50					1334 50

BOOK-KEEPING.

(4)

DR.					RIMMER, GUNN & CO.					CR.							
1877					1877												
Jan.		13		To Cash, C.B.	2		796 50		Jan.		8		By Mdse., I.B.	1		796 50	
"		31		" Balance			3160 00		"		27		" " I.B.	2		3160 00	
							3956 50									3956 50	

SMITH & KEIGHLEY.

1877	Jan.	16	To B. Pay, J.	1	1522	80	1877	Jan.	5	By Mdse, I.B.	1	1522	80
"	"	26	" Cash, C.B.	2	1000	00	"	"	26	" " I.B.	2	1277	50
"	"	31	" Balance		277	50							
					2300	30						2800	30

J. A. MATHEWSON.

1877	Jan.	17	To Sundries, J.	2	287	50	1877	Jan.	9	By Mdse, I.B.	1	287	50
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CRAMP, TORRANCE & CO.

1877	Jan.	25	To Bills Pay., J.	2	1799	20	1877	Jan.	22	By Mdse, I.B.	2	1799	20
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T. C. KERR.

1877	Jan.	3	To Mdse, S.B.	1	406	75	1877	Jan.	3	By Bills Rec., S.B.	1	406	75
"	"	12	" " S.B.	1	358	40	"	"	12	" " S.B.	1	358	40
"	"	24	" " S.B.	2	175	80	"	"	31	" Balance		175	80
					940	95						940	95

BOOK-KEEPING.

(5)

DE.

WILLIAM ACTIVE.

CR.

1877				1877					
Jan.	5	To Cash, C.B.	2	5 50	Jan.	31	By Expense, J.	3	40 00
"	31	" M. Bank, J.	3	34 50					
				40 00					40 00

JAMES SPRY.

1877				1877			
Jan. 23	To Cash, C.B.	2	20 00	Jan. 31	By Expense, J.	3	40 00
" 26	" " C.B.	2	10 00				
" 31	" M. Bank, J.	3	10 00				
			40 00				40 00

GEORGE STOREY.

1877				1877					
Jan.	31	To M. Bank, J.	3	40 00	Jan.	31	By Expense, J.	3	40 00

ISAAC PORTER.

1877				1877					
Jan.	13	To Cash, C.B.	2	12 00	Jan.	31	By Expense, J	3	40 00
"	31	" M.Bank, J.	3	28 00					
				40 00					40 00

MERCHANDISE.

1877				1877			
Jan.	31	To Sundries,	16359 50	Jan.	31	By Sundries,	6690 15
"	"	I. B. 2		"	"	S. B. 2	
		" Loss & Gain	4880 65	"	"	" Bal. Inv'ty.	14550 00
			21240 15				21240 15

BOOK-KEEPING.

(6)

DR.		DISCOUNT.		CR.			
1877		1877					
Jan. 6	To Cash, C.B.	2	89	Jan. 13	By Cash, C.B.	1	30 66
" 15	" B. Rec., J.	1	7 80	" 17	" J. A. Math-		
" 18	" " " J.	2	9 00		ewson, J.	2	8 19
" 24	" Cash, C.B.	2	6 05				
" 31	" Loss & Gain		15 11				
			38 85				38 85

EXPENSE.

1877				1877			
Jan. 31	To	Sundries, J.	3	160 00	Jan. 31	By	Loss & Gain
" "	"	"	"	480 15			640 17
				640 15			640 15

FREIGHT.

1877				1877			
Jan. 8	To Cash, C.B.	2	10 70	Jan. 31	By Loss & Gain		16 10
" 9	" " C.B.	2	5 40				
			16 10				16 10

LOSS AND GAIN.

1877				1877					
Jan. 31	To	Expense	640	15	Jan. 31	By	Mdse	4880	65
" "	"	Freight	16	10	" "	"	Discount	15	11
" "	"	A. R. San-							
		derson	2119	76					
" "	"	W. Golden	2119	75					
			4895	76				4895	76

BOOK-KEEPING.

(7)

DR.

BALANCE.

CR.

1877			1877		
Jan. 31	To Cash	2105 92	Jan. 31	By B. Pay.	1799 20
" "	" B. Rec.	778 40	" "	" R. G. & Co.	3160 00
" "	" M. Bank	10315 59	" "	" Smith & K.	277 50
" "	" A.S. Austin	388 00	" "	" A. R. San-	
" "	" H. A. N. & Son	200 00	" "	dereson	11774 76
" "	" P.D. Conger	252 50	" "	" W. Golden	11754 75
" "	" T. C. Kerr	175 80			
" "	" Mdse.	14550 00			
		28766 21			28766 21

BALANCE SHEET.

A "Balance Sheet" is a collection of all the differences of the Ledger accounts, arranged so as to show at one view the results of the business. It embraces, in fact, the Balance, Loss and Gain, and Stock Accounts. The following form, although simply headed "Balance Sheet," includes also the "Trial Balance."

The manner of preparing it is as follows :

1. Take a sheet of paper of proper size, and for a border, rule double red lines around the margin.

2. Rule parallel head-lines, leaving proper space for double headings, as in the example.

3. Ascertain the number of Ledger accounts to be represented. If the business is that of a single proprietor, rule in pencil as many lines as will contain all the accounts, and *five* additional. If it be a partnership business with two or more partners, rule three additional lines for each partner ; thus, for one proprietor, *five* lines more than all the accounts ; for two partners, *eight* lines more than all the accounts ; for three partners, *eleven* lines more, and so on.

4. Lay off proper spaces for debit and credit money columns ; first for the footings of Ledger Accounts, second for Gains and Losses ; third for Stock, or if partners, for each partner—and fourth for Resources and Liabilities ; also *single* columns for Ledger titles and their Ledger folios and a single money column for Inventories. The position of these columns will be seen in the example given.

The ruling of the vertical and horizontal ink lines, and the method of making the entries will be better understood by a simple inspection of the form than by any verbal directions.

BALANCE SHEET—A. R. SANDERSON & CO.

Taken Toronto, Jan. 31, 1877.		L.F.	Trial Balance.		Inven- tory.	Losses & Gain Accts.		A. R. Sanderson.		Wm. Golden.		Assets & Liab'ty Ac'cts	
			Dr.	Cr.		Losses.	Gain.	Dr.	Cr.	Dr.	Cr.	Reso'es.	Liabilities
A. R. Sanderson	1		345	00	10000	00							
Wm. Golden	1		365	00	10000	00							
Cash.....	1		18164	11	10058	19							
Bills Receivable	2		2547	15	1768	75							
Merchants' bank	2		13245	20	2929	61							
Bills Payable.....	2		1722	80	3522	00							
A. S. Austin	3		1888	00	1500	00							
I. A. Nelson & Sons	3		200	00									
P. D. Conger.....	3		1334	50	1082	00							
Rimmer, Gunn & Co.	4		796	50	3950	50							
Sinith & Keighley	4		2522	80	2500	30							
T. C. Kerr	4		940	95	765	15							
Merchandise	5		16359	50	6690	15							
Freight	6		16	10									
Discount	6		23	74	38	85							
Expense	6		640	15									
			61111	50	61111	50							
			Firm's net gain.....										
			4239 51										
			4895 76										
			A. R. Sanderson's net gain										
			11774 76										
			2119 76										
			" " " worth										
			12119 76										
			12119 76										
			Wm. Golden's net gain.....										
			11754 75										
			2119 75										
			" " " worth										
			12119 75										
			28766 21										
			28766 21										
			11774 76										
			11754 75										
			28766 21										

COMPANY ACCOUNTS.

Our space will permit us to give only one example, which we will arrange according to the two methods in general use.

1877, Jan. 1, Received from Robert Smith, New Orleans, to be sold on joint account of himself, James Heaton, and ourselves, each $\frac{1}{3}$, 100 hhds. Sugar at \$60. Paid freight by cheque \$500. Jan. 3, Sold Mark Newton, for cash, 30 hhds. at \$80 Jan. 5, Sold Edward Forbes, on his note, at 30 days, 40 hhds at \$80. Jan. 8, Sold Charles Adin, on account, 30 hhds. a \$80. Storage and Advertising \$50. Commission $2\frac{1}{2}\%$, \$200.

FIRST METHOD.

DR.				MDSE CO. A.				CR			
1877	Jan.	1	To R. Smith	2000	00	1877	Jan.	3	By Cash	2400	00
"	"	"	" Merchants'B'k	500	00	"	"	5	" Bills Rec.	3200	00
"	"	8	" Charges	50	00	"	"	8	" Chas. Adin	2400	00
"	"	"	" Commission	200	00						
"	"	"	" R. Smith, $\frac{1}{3}$ in-	2416	66						
			voice and net gain								
"	"	"	" J. Heaton $\frac{1}{3}$ in-	2416	67						
			voice and net gain								
"	"	"	" Loss and Gain	416	67						
			Our $\frac{1}{3}$ net gain								
				8000	00					8000	00

SECOND METHOD.

MDSE CO. A.

1877	Jan.	1	To R. Smith	4000	00	1877	Jan.	3	By Cash	2400	00
"	"	"	" Jas. Heaton	2000	00	"	"	5	" Bills Rec.	3200	00
"	"	"	" Merchants'B'k	500	00	"	"	8	" Chas. Adin	2400	00
"	"	8	" Charges	50	00						
"	"	"	" Commission	200	00						
"	"	"	" R. Smith, $\frac{1}{3}$ n. g.	416	66						
"	"	"	" J. Heaton $\frac{1}{3}$ n. g.	416	67						
"	"	"	" Loss and Gain	416	67						
			Our $\frac{1}{3}$ net gain								
				8000	00					8000	00

In the first, the presumption is that we are not indebted at present to R. Smith for more than our own share: in the second, that we are indebted for the whole—to R. Smith, not only for our $\frac{1}{3}$ but his also, and to James Heaton for his $\frac{1}{3}$. The closing entries must correspond to the opening entries in each case. The pupil will see that the difference between the two methods is in the opening and closing entries. The above entries will, of course, indicate the journalizing. It is usual, in posting from the Journal, to bring the last five items on Dr. side in one sum under the term "Sundries." The first method is the more correct one.

COMMERCIAL CALCULATIONS.

As the pupil may be supposed to be familiar with the method of calculating Interest, Discount, Exchange and Simple Equation of Payments, we will give here only the method of

EQUATING AN ACCOUNT.

Suppose the following to be Abel Bond's account in our Ledger, and it be required to equate it, that is, to find at what time the balance of the account, \$225, should be paid, so that neither he nor we shall be the losers in regard to interest.

DR.				ABEL BOND.				CR			
1876					1876						
Apr.	3	To Mdse at 3 mos	220 00	July	1	By Cash		200	00		
May	1	" " 5 "	125 00	Sep.	17	" Note at 3 mo		300	00		
"	15	" " 6 "	200 00	Oct.	3	" Cash		150	00		
June	24	" " 8 "	140 00								
July	1	" " 9 "	190 00								

First ascertain when each amount becomes due, and then *assume* the latest date upon which any item on either side becomes due as *the date of settlement*. Multiply each item on both sides by the number of days between its date and the assumed date. Find the sum of the products on each side, and divide the difference between the two sums by the balance of the account. The quotient will be the number of days that the assumed date is out of the reckoning.

If the difference of products and the balance of the account fall on the *same side* count *backwards*; if on opposite sides count *forwards*.

EXAMPLE.

1876	Am'ts	Days.	Products	1876	Am'ts.	Days.	Products
July 3	220	272	59840	July 1	200	274	54800
Oct. 1	125	182	22750	Dec. 20	300	102	30600
Nov. 15	200	137	27400	Oct. 3	150	180	27000
1877							
Feb. 24	140	36	5040		650		112400
April 1	190	0	0				
	875		115030	The differences falling both on the same side we count backwards 11 days from April 1st, which brings the equated time to March 21st, 1877			
	650		112400				
	225		2630				
			11				

Any other date may be assumed. If the earliest date had been assumed, the *direction of counting* would have been opposite to that above; the **general rule** being—when the differences fall both on the *same side*, to count from the assumed date in the *same direction* as the other dates are in regard to it; when the differences fall on *opposite sides*, to count from the assumed date in an *opposite direction* to that of the other dates in regard to it.

The thoughtful pupil will readily see that if he multiply the difference of the products by the rate per cent. and divide by \$6500 he will have the balance of interest, on April 1st, and therefore the amount which settles the account at that date.

Another method of finding the average date is to ascertain what the *balance of interest* would be at the *assumed* date of settlement. If the balance of interest is in *favor* of Abel Bond, he is entitled to keep the *balance of the account* long enough to produce that interest; hence the *true* date will be *subsequent* to the *assumed* one, and we must count *forwards*, and if the balance of interest is *against* him, the true date will be just as long *before* the assumed one, and we must count backwards.

As, for the purpose of merely equating the account, it is immaterial what rate per cent. we take so long as we use the same for both sides, we choose 6%, and reckon 360 days to the year.

EXAMPLE.

1876.	Am'ts.	Days.	Int'st.	1876.	Am'ts.	Days.	Int'st.
July 3	220	272	9.97	July 1	230	274	9.13
October 1	125	182	3.79	Dec. 20	300	102	5.10
Nov. 15	200	137	4.57	October 3	150	180	4.50
1877,							
Feb. 24	140	36	.84		650		18.73
April 1	190	0	—				
	875		19.17				
	650		18.73				
	225		.44				

The balance of interest is *against* A.B. Hence, for the payment of \$225 to settle the account, it should have been paid as long before April 1st as it would take to produce 44 cents interest; viz., 11 days, bringing the equated time to March 21st, 1877, as above.

The student will perceive that the principle observed here is to *charge* Abel Bond with the interest on the various amounts received by him from the time of their becoming due in Cash to the assumed date of settlement, and in like manner to *allow* or *credit him with* interest on the sums paid by him. A careful examination of the two methods will show that they are *essentially* the same, for if we divide the difference of the products in the first by 6000 we obtain the balance of interest, 44 cents nearly. The reason of this is plain. The interest on \$220 for 272 days, (using for convenience the same rate as above) is equal to $\frac{220 \times 6 \times 272}{36000} = \frac{220 \times 272}{6000} = \9.97 , and so with the rest. Now, in the first method we simply write down the products, reserving the division by 6000 until we arrive at the *difference* of the products. Indeed, if we divide each individual product, the sums of the debit and credit products, and the difference of these sums, in the first method, by 6000, we shall find the quotients to agree respectively with the corresponding amounts of interest in the second.

The number of days to be counted from April 1st is more nearly 12 than 11, but we have chosen to give Mr. Bond the advantage of the fraction.

If he propose to give us his note with interest for the balance of the account it should be dated March 21st, 1877.

If he propose to settle the account on the 1st of April, 1877, he should pay \$225.44.

There are other ways of equating an account, but our space forbids us alluding to them.

CLASSIFICATION OF ACCOUNTS.

Accounts have been classified in various ways, but we will here mention only four of these :—

I. The older writers generally divided them into **Personal, Real, and Fictitious or Nominal.**

Personal.—Those in the names of the *persons* with whom we do business on credit ; as Robert Smith, Charles Adin, etc.

Real.—Those representing *property*, as Cash, Mdse., Real Estate, Railroad Stock, Bills Receivable, and including also Bills Payable.

Fictitious or Nominal.—Those representing the different kinds of *expenses*, and various other *causes* which add to, or take from, the gain which the Mdse. Acct. may show ;— as Interest, Commission, Expense, the Loss and Gain acct. proper, and including also Stock acct.

NOTE.—If a Bank Account be kept, some call it a *Real* account, as it represents *Cash immediately available* ; others a *Personal* account, as the Bank stands related to us as Dr. or Cr. in the same way as *any* person does.

II. **Personal accounts, Property accounts, and accounts of Causes ;** corresponding severally with the divisions in No. I.

III. **Personal and Impersonal ;** or accounts of Persons and Things.

Personal.—All *persons* with whom we do business on credit, including Bank account, and the proprietor's *investment* account, called *Stock* or *Capital*.

Impersonal.—All *not personal* ; that is, those representing *things*—not only material, *tangible* things, such as Cash, Merchandise, Bills Receivable, Bills Payable, Railroad Stock, Real Estate, etc., but also *anything* in the shape of *accommodation* or *advantage* received or given by us, and having a *money value* in relation to our business.

IV. The most practical division is into **Asset and Liability accounts, and Loss and Gain accounts.**

Asset and Liability accounts.—Those whose closing entry shows an *asset* or a *liability* ; as, Cash, Bills Receivable, Bills Payable, Bank, Robert Smith, Robert Smith's Consignment.

Loss and Gain accounts.—Those whose closing entry shows a *loss* or a *gain* ; as, Merchandise, Real Estate, Bank

Stock, Shipment to Hamilton, Commission, Interest, Insurance, Expense, and the Loss and Gain account proper.

NOTE.—Any *speculative property* on hand, as found by taking stock, is an *asset*.

Of these classifications, III. and IV. seem to us the only ones of any special value. The former affords the means of showing the reason for debiting and crediting *accounts of things* as well as *accounts of persons*. The latter is of practical utility, in leading us direct to the great end of all account-keeping, namely, the *present financial condition of the business*, and the *ways and means* by which from a *known previous condition* the present one has been attained.

NOTE.—The terms *Real* and *Representative* have been applied by some to the two divisions in No. IV. As these terms, however, are used by others in a different sense, we have preferred, rather than confuse the student by the use of terms so differently applied, to call them simply *Asset* and *Liability* accounts, and *Loss* and *Gain* accounts. The former are sometimes called *Estate Accounts*.

EXAMINATION PAPERS

ON

BOOK-KEEPING,

SELECTED CHIEFLY

FROM THOSE PREPARED UNDER THE DIRECTION OF
THE EDUCATION DEPARTMENT FOR ONTARIO.

SECOND CLASS CERTIFICATES, JULY, 1871.

TIME—ONE HOUR AND A HALF.

1. Describe the Cash Book, Journal, Ledger and Invoice Book.
 2. You commence business with \$5,000 cash, and \$5,000 goods purchased from A. B. at 6 months. Shew what accounts you would open.
 2. What accounts would be affected, and how, by the following entries:
 - (1) Sold goods to A. on account, \$500.
 - (2) Sold goods to B. to the amount of \$1,000, receiving \$600 cash and his note at 4 months, payable at Bank of Toronto.
 - (3) Bought goods from C., \$1,600, paying \$900 cash and giving my note at 4 months, payable at Bank of Commerce.
 - (4) Had B.'s note discounted at Bank of Toronto at 8 per cent.
 - (5) Received a legacy of \$800,
 4. What is the object of the Profit and Loss account? When do you debit and credit it?
 5. Describe the steps you would take in closing a set of books.
-

FIRST CLASS CERTIFICATES, AUGUST, 1871.

TIME—ONE HOUR AND A HALF.

1. What is the object of book-keeping? State the books usually employed, and the use of each.

2. What is the distinction between real and fictitious accounts?
3. State fully how you balance the following accounts
 - (a) Goods.
 - (b) Profit and Loss.
 - (c) Balance.
4. What is meant by a trial balance?
5. Journalize the following transactions:—
 - (a) Bought from McMaster & Co., 50 pieces cloth, containing 30 yards each, at \$3½ per yard, paid cash \$1,000, and gave my note at 6 months for remainder.
 - (b) Sold to John Smith, goods \$300, received in cash \$150, and his note at 3 months for the remainder.
 - (c) Discounted the above note at 7 per cent.
 - (d) Lost my pocket book containing \$160.
 - (e) The pocket book was found a few days after and returned, when I gave \$10 to the finder.
6. Shew how to average an account. Bought goods from A. R. McMaster & Bro. as per invoice: April 4th, \$600 on 4 months; May 15th, \$930 on 6 months; June 12th, \$1,620 on 4 months. Paid on account, May 20th, \$750; June 5th, \$720; July 10th, \$300. When must I pay the balance?

FIRST CLASS CERTIFICATE—DECEMBER, 1874.

TIME—ONE HOUR AND A QUARTER.

1. Are all the Real Accounts closed To or By Profit and Loss? Give reason for your answer.
2. Explain how the following accounts are closed: Profit and Loss, Stock, Balance.
3. Define Bill of Lading, Bonded Goods, Bill of Entry, Consignment, Manifest, Letter of Credit, Salvage.
4. Shew with example how to "average an account."
5. Shew how to journalize in the following cases:—When I sell goods of one sort for part goods of another sort, part cash, part bills, and part credit. When I buy goods of one sort for part goods of another sort, part credit, part cash, and part bills. When I receive a legacy in houses, or lands, or goods. When I buy a bill of another for ready money and receive discount. When I sell a bill for cash and give discount. When goods bought on credit, are sent to sea for my own account. When goods are sent to sea for my Factor's account, which were formerly entered in my books. When the goods of another person are insured by me and I receive the money, (1) presently, (2) not presently. When goods of my own that were insured are cast away at sea. When the insurance is paid to me after I have entered the circumstances in my books. When goods in Company are sold by me on credit. When goods of my partner are brought into Company.

1ST CLASS CERTIFICATES—JULY, 1876.

TIME—ONE HOUR AND A QUARTER.

- No.
- I. Give in full your method of closing a set of Books (Double Entry).
 - II. Classify the following accounts for closing purposes, and explain how each account is closed—Stock, Cash, Merchandise, Balance, Bank, Bank Stock.

III. Give the Day Book entries that would require the following Journal entries:—

	\$	cts.	\$	cts.
(a) John Thompson, Dr.....	1800	00		
Bank, ".....	1200	00		
To Bills Receivable.....			3000	00
(b) Shipment to A. Low, Dr.....	1400	00		
A. Low, ".....	750	00		
To Merchandise.....			1100	00
" Cash.....			1050	00
(v) John Henry, Dr.....	120	00		
To John Henry's Consignment.....			120	00

IV. Journalize the following transactions, post and close the Ledger:—

July 1st, 1876 Invested in business, cash, \$400; merchandise, \$4,750; a note for \$600 in favor of John Hill, signed by W. Willings, and endorsed by H. Cooper, dated May 18th, 1875, at 90 days; an accepted draft for \$500, drawn by H. Simpson on George Dean, May 10th, 1875, at 90 days, and accepted May 15th; R. Manning's account, \$300; Real Estate, \$3,000. 2nd. Sold McCrea, Brothers, merchandise as per invoice, \$200; received in payment cheque on Ontario Bank for \$100, their note to balance. 3rd. Shipped R. Manning \$3,000 worth of merchandise, one-half from my storehouse, balance bought from J. Neal on my note at 30 days. 4th. Received from R. Manning his second consignment, consisting of 100 bbls. flour, invoiced at \$3 per bbl; paid freight and drayage on same by cheque, \$180. 6th. Sold R. Dunn 100 bbls. flour, from R. Manning's consignment No. 2, at \$12.60 per bbl; received in payment a cheque on Bank for \$300, an order on A. B. for \$60, cash for balance. 10th. Closed R. Manning's consignment (No. 2); and rendered him an account-sales of the same; our charge for storage, &c., commission, \$40; R. Manning's net proceeds remitted in cash, \$1,020. 16th. Received account-sales of merchandise shipped R. Manning on the 3rd inst., \$20; accompanied by a cheque for amt. of our net proceeds, \$33,500, which I deposited in Bank. Merchandise on hand, as per inventory, \$3,250.00.

V. Write out the Business Forms required in the preceding question for the 1st and 2nd of the month.

SECOND CLASS CERTIFICATES—JULY, 1876

TIME—ONE HOUR AND A QUARTER.

- Which do you consider the more satisfactory system of Book-keeping, Single or Double Entry? Give your reasons in full.
- Explain the following terms as used in Book-keeping: Bills Payable, Stock, Shipment, Consignment, Account Sales, Acceptance, Drawee, Protest.
- Journalize the following. Give your rule, and show that it is satisfactory when applied to these particular entries:
 - July 1st., 1876. I commence business investing as follows:—Cash \$5,000, Mdse. \$2,500, Wood for use in Store \$100. I owe on a note, favor of John Thompson, dated June 1st., at 6 mos. \$1,200 with one month's interest on same \$3.
 - Bought of John Jones Mdse. as per invoice \$1,200. Gave in payment my note for \$600 at 30 days. Balance on account.
 - Rec'd. from Herry Kerr 100 Bbls. Flour invoiced at \$3 per bbl., to be sold on his account and risk, paid drayage, &c., by an order on W. Smith \$40.
- Give Day Book entries corresponding to the following Journal entries:

(a) Mdse. Dr.	250	00		
Bank "	100	00		
To John Walker.			350	00
(b) Bills Payable, Dr.	800	00		
To Bank			300	00
" Wm. West			450	00
" Discount			50	00
(c) Shipment to A. B. Dr.	1,600	00		
To Mdse.			1,000	00
" C. D.			500	00
" Cash			100	00

5. Give Day Book entries corresponding to the following entries as found in Mdse. account, and close the account, given that \$2,000 worth of Mdse. still remains unsold :

DR.				MDSE.				CR.			
July	1	To Stock	3,000 00	July	1	By Cash.....	300 00				
"	3	" Sundries	540 00	"	3	" Bills Payable....	150 00				
"	5	" Bills Receivable.	320 00	"	6	" John Jones.....	1,200 00				
"	8	" Wm. Cooper ...	800 00	"	8	" Shipment to A.B.	1,800 00				
"	10	" John Smith.....	410 00	"	9	" Bills Receivable.	1,500 00				
				"	10	" Bank.....	100 00				

NORMAL SCHOOL FOR ONTARIO.

FORTY-NINTH SESSION.—JUNE, 1873.

FIRST AND SECOND CLASS CERTIFICATES.

TIME—TWO HOURS.

1. Divide the following accounts into Personal, Real and Fictitious, viz. :—Cash, A. B., Bank of Toronto, Interest, Real Estate, Commission, Bills Receivable, Mdse., Expense, Bank Stock, Bills Payable.
2. Divide the same accounts into two classes, one showing an asset or a liability, the other a loss or a gain.
3. Say which of the Real accounts in No. 1 belong to the class of accounts showing Assets and Liabilities, and which to the Loss and Gain accounts. Explain how you would distinguish between them.
4. The books of original entry being the Cash Book, Sales Book, Invoice Book, and another for miscellaneous entries explain the use of each.
5. Draw out a form for a Bill Book, and explain its use.
6. Describe the mode of posting direct from the Cash Book and Invoice Book.
7. Journalize the following Day Book entries :

(a) Began business with Cash \$10,000, of which \$3000 is borrowed from M. N. on our note.

Also, C. D. owes us \$400 on his note, and \$300 for which we hold no note. We owe E. F. on book account \$200, and G. H. on our note \$100.

(b) Sold A. B. goods \$900, and received on account, Cash \$400, and R. S.'s note for \$200, on which he allows us discount \$1.50

(c) Bought from Bank of Toronto for Cash, Bill of Exchange on City Bank, London, England, for \$200 Stg., and remitted the same to Benjamin Worth, Manchester, England, in settlement of account. Exchange at 110½.

A. B. and C. D. are in partnership. On closing the books the partners' Capital Accounts and the Loss and gain accounts are as follows:—A. B., Dr. \$300, Cr. \$2000; C. D., Dr. \$400, Cr. \$2100; Loss and Gain, Dr. \$100, Cr. \$520. Required the net gain, and each partner's present net capital. Required also the present liabilities of the concern, the Dr. side of Balance Acct. being \$10,930.

FINAL EXAMINATION.

FIFTIETH SESSION, DECEMBER, 1873.

FIRST AND SECOND CLASS CERTIFICATES.

TIME—TWO HOURS.

1. Before closing Mdse., Bank Stock, Real Estate, or any *speculative* property account, with a view to find the gain or loss, what must be first taken into consideration, and what must be done with it?
2. What does the Loss and Gain account contain when completed? What does the Balance account contain?
3. In a business where the transactions are some for cash, and some on time, either by note or not, name the accounts which will be closed into Balance, and those which will be closed into Loss and Gain, stating the side of these two accounts to which the closing entries will be transferred.
4. Give an example of a sale for cash, one receiving the buyer's note, and one on account. Give Day Book and Journal entries.
5. Give an example of a purchase made by us, we giving in payment part cash, part our own note, part another's note, and cheque on Bank for balance. Give Day Book and Journal entries.
6. Journalize the following:—

1873, Nov. 25—Received of A.B. his acceptance at one month. \$450.

27—Paid A. B.'s Bill into Bank for discount.

Bill.....\$450 00
Discount..... 2 25

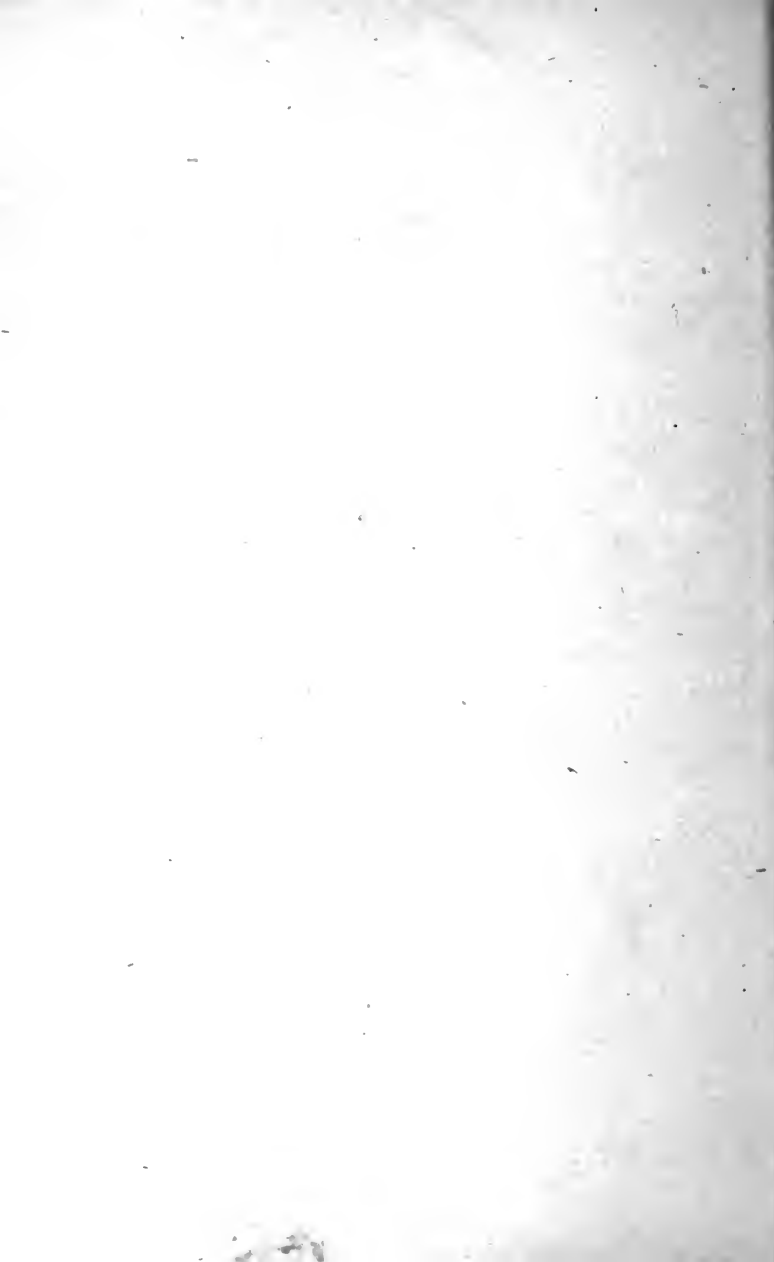
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7. Why is it that when a consignment of goods is made to us to be sold on account of another, we do not enter in the Ledger the value of the goods, while, if we consign goods to another to be sold by him on our account, we do enter the value of the goods?
8. Give an example of an expenditure which would be more properly put in Private Account than in Expense, and one which would be more properly put in Capital or Stock than in either Private or Expense. Give a case of cash going out of our possession for which no account but Loss and Gain, could well be debited.
9. From the following Trial Balance find each partner's present net capital, arranging the entries in the Partners' accounts, the Loss and Gain and Balance accounts, as they would be in the ordinary closing of the Ledger.

\$1000	R. S. (Capital)	\$3883
1000	M. N. (Capital)	3883
1000	X. Y. (Capital)	3884
200	R. S. (Private)
200	M. N. (Private)
200	X. Y. (Private)
7000	Cash	4000
4560	Ontario Bank	3560
978	Bills Receivable	478
664	Bills Payable	934
852	A. B.	252
473	C. D.	673
10600	Mdse. (unsold \$5800)	7600
1200	Ontario Bank Stock (unsold \$500)	900
150	Interest	100
290	Commission	190
100	Expense

\$30,367

\$30,367



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